

# Nation's Business



DECEMBER 1980

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## Nation's Business

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# Nation's Business



## A New Era

Ronald Reagan's plans and the pronounced changes on Capitol Hill augur a more benign climate for business, in which government encourages, rather than discourages, enterprise.

By Vernon Louviere 22

## The Soviets Watch

The Kremlin, embarking on a major effort to revive the ailing Soviet economy and facing an inevitable leadership shuffle, hopes America will become less chilly about trade deals.

By Bob Aaron 30

## Toys Year-Round

The Christmas season still sees 60 percent of toy purchases, but new trends in what is for sale and who is buying are spreading cheer throughout the year for the toy makers.

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## Focus on Food

With food prices rising apace, distributors and processors fear they will be the object of public—and congressional—anger. So they are taking steps to minimize unfair blame.

By Bob Gatty 58

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Small business got a lot of relief from regulatory headaches in the 96th Congress. Now the emphasis is on tax changes to spur investment and make it easier to keep a firm in the family. By Michael Thoryn.

### 42 Louis Cabot: He Made Room at the Top

This article in the Lessons of Leadership series gives insights into how a privately held Boston company successfully became a public corporation with a broad and profitable product mix. By Mary Tuthill.

### 53 Book Bonus: How To Survive Burn-Out

Where's that old dynamic you who used to start the day with enthusiasm and vigor? Why, after getting what you wanted, don't you want it? Here are answers—and remedies. By Dr. Herbert J. Freudenberger.

### 62 Your Dollar Is at a Premium

Property and casualty insurers appear to be at a low point in a six-year cycle, with price cutting pandemic and profit margins shrinking. A special report on the insurance industry. By Roger M. Peirce.

### 77 Life-Style: Having a Ball on the Dance Floor

Ballroom dancing is alive and well, and business people are among the legions who get a kick out of it. It's fun, it's good exercise... and for one businesswoman, this hobby brought a hubby. By John Costello.

Cover Photo:  
Lillian M. O'Connell—Lensman

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# WASHINGTON LETTER

► **BIG QUESTION** among Washington-wise: Can Reagan make "cabinet government" work? Nixon and Ford found bureaucracy unwieldy, unresponsive and full of hostility to their views. Result? They beefed up White House staff to get around the cabinet departments and regulatory agencies. Carter, nominally in control of Congress, was in better position to impose his will through legislation, but seldom did. Also, many of his appointees seemed to march to their own drummer, unmindful of him. Now, President-elect pledges to operate through cabinet rather than personal staff. His chances for success? Even-money bet. Composition of new Congress gives Reagan bigger opportunity than his three predecessors had. But it won't be easy.

► **NO NEW FEDERAL REGULATIONS** for one year? Idea is endorsed by top Reagan advisers and by GOP platform. Approval of Congress would be necessary, though, since President does not control independent regulatory agencies such as Federal Trade Commission.

► **PRIORITIES OF REAGAN administration** are likely to be numbered from tax relief on down. Congress, however, doesn't work that way. Each committee will have its own top priority, within its sphere of influence. So, watch for simultaneous actions on many fronts: taxes, labor law, regulatory reform, energy, welfare reform, etc.

► **EARLY TARGET FOR DEREGULATION:** Oil price controls. President can scrap these without congressional action. Candidate Reagan said he would. And now is good time. Market, not controls, currently limits retail prices of petro-

leum products, so prices would not rise with end of controls--due next fall, anyway. If Reagan waits too long, that political advantage will be lost. Energy experts foresee price rises ahead.

► **CONTROVERSIAL BILINGUAL education** rules issued last summer by Department of Education are another candidate for early abolition by new administration. For that matter, future of Education Department itself is not bright.

► **FIRST INDEPENDENT AGENCY** to show Reagan stamp will probably be Federal Communications Commission. New President is likely to have three vacancies to fill on seven-member panel within first six months of his administration, say knowledgeable industry observers. Fourth vacancy is a possibility. Irony, since FCC regulates industry in which Reagan began his career.

► **WELFARE REFORM** principles likely to be applied by new administration are set forth in book by top Reagan domestic affairs adviser Martin Anderson: Welfare: The Political Economy of Welfare Reform in the United States, published by Hoover Institution. In brief: Aid only the truly needy, crack down hard on fraud, establish and enforce work requirements, compel runaway spouses to support their dependents, streamline administration, and transfer responsibility from federal government to state, local and private institutions.

► **EXPECT NEW DEMANDS** for limits on contributions by political action committees, for public funding of congressional races and for a ban on



independent, or nonconnected, activity on behalf of a candidate. Why? Corporate PAC contributions topped labor's for first time in this election, according to highly preliminary figures from Federal Election Commission (January through June--final totals will be released in March). Add association giving to corporate contributions, and cash from business outdistanced unions by more than 2 to 1. But that comparison is unfair, say business spokesmen, because it doesn't count "in-kind" contributions, which are usually much bigger from unions, and because business giving was split almost evenly between political parties, while labor gave 93 percent of its cash to the Democrats. Outlook: No new limits on business contributions from 97th Congress.

► **PROBUSINESS CANDIDATES** for Congress were elected or reelected in 70 percent of the 126 races targeted by National Chamber Alliance for Politics. Score is especially impressive because NCAP enters only close races, not sure things. Chamber's experts calculate net philosophical gain for business as 44 seats. Equally important: Victors are much more aware of impact of business support than they have been in previous elections.

► **PROLABOR DRIFT** in composition of National Labor Relations Board is now halted by election, although reversal will take time. Earlier in year, business representatives lost bitter battles to prevent confirmation of William A. Lubbers as general counsel and Donald A. Zimmerman as board member. Third nomination unpopular with business--reappointment of John C. Truesdale to board--was still pending before Senate when Reagan landslide hit. Board members are appointed for five-year term.

► **AIR CONTROLLERS STRIKE** next spring? Doubtful. Contract between government and Professional Air Traffic Controllers Organization expires in

March, and controllers are among most militant of organized federal employees. They want pay comparable to airline pilots, which would give them nearly twice their present average of \$43,000. Both union and Federal Aviation Administration--now conducting negotiations--reportedly have contingency plans for strike. But . . . strike would hand new administration perfect opportunity to make example of those who violate law against federal employee strikes, since highly paid controllers could not expect much sympathy from public.

► **WHAT A DIFFERENCE** a day makes. AFL-CIO President Lane Kirkland shortly before election: "Anyone who really believes that [American industry can be revitalized] by simply deregulating, de-taxing and unleashing private enterprise is not playing with a full deck." And just after election: "Americans expressed a desire for a change in their circumstances and prospects, for revival of the national economy and for an improvement in America's standing on the world scene."

► **CAN TWO LONELY LIBERAL UNIONS,** their cause scorned by the voters, find happiness in marriage? Answer to that question is being investigated by two giants of industrial labor: United Auto Workers and International Association of Machinists. Former has 1.35 million members; latter, just under one million. Outcome will have major impact on AFL-CIO, one way or another. IAM belongs to federation, while UAW does not. One potential obstacle: Whether UAW President Douglas A. Fraser or IAM's William W. Winpisinger would head combined organization.

► **HEALTHIEST U.S. INDUSTRIES,** based on six economic criteria, says Department of Commerce, are chemicals, electrical machinery, instruments and photo equipment, motor vehicles, nonelectrical machinery, and tobacco. Commerce study was based on performance of industries from 1966 through 1978, before current problems damaged auto industry.



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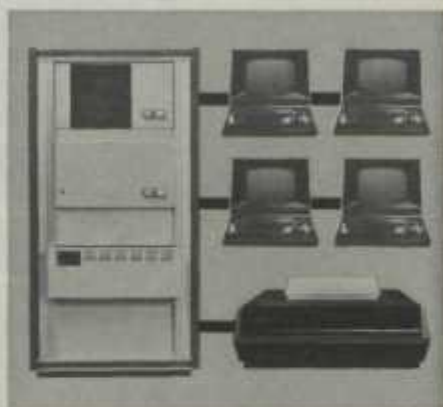
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# Reconstituting the Constitution

Re: "Let's Mend Our Economic Constitution" [October]. This superb analysis of how the government is usurping economic freedom through its interpretations of the constitutional provisions that protect us deserves a full

hearing. The Economic Bill of Rights proposed by Milton and Rose Friedman would restore constraints on government that the Constitution at one time clearly provided. The adoption of such an amendment would not only re-

inforce individual economic freedom but also would resolve conflicting interpretations. **JOSEPH M. STEPHENS**  
*Newport, Del.*

The last few lines of Article 1, Section 8 of the Constitution state clearly that Congress can pass only necessary and proper laws.

Congress is getting away with enacting laws that are not "necessary and proper" only because "we the people" fail to demand proper law and proper respect for the Constitution.

**SYLVIA MCKILLIPS**  
*Beloit, Wis.*

## Trend reversal

Re: "The Growing Impact of Business Giving" [October]. The statement that "corporations increasingly are making donations through foundations they have set up, rather than directly" is erroneous. The reverse is actually the trend.

Most company foundations were established during the Korean War years. Since passage of the Tax Reform Act of 1969, companies have been shifting to more direct giving because it is more costly to build up foundation reserves. When company foundations continue to exist, direct corporate giving programs have grown up alongside them and in most cases have surpassed them.

**MARY LOUISE MORGAN**  
*New York, N.Y.*

## Working solution

Re: "Halting Public Union Walk-outs" [September]. The public unions are strong on pay raises, more fringe benefits, more this and more that, but the source of all the money is solely the taxpayers.

I propose a very simple solution to all who want more pay: Pay will be directly increased as your work and production increase. When production declines, pay declines. This is the American way. **WILLIAM H. DOUGLAS**  
*Monroeville, Pa.*

I witnessed this country's first police strike in 1919. It began with a union attempt to organize the Boston police



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Right now, there's no economical



substitute for oil as a transportation fuel. So we will continue to use it. But coal, nuclear and solar are just as good for other energy needs. And they are much more plentiful.

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force. The police commissioner said any officer joining a union would be fired, and anyone striking would never again be on the force. The men walked out, but after two nights of rioting and looting, the National Guard restored order. In a few months, Boston had a new police force made up mostly of veterans. None of the former officers was hired.

It is up to us as citizens to reward those upon whom we depend for our quality of life and the protection of our community. However, those who serve their community, help educate its children and preserve and protect its peace, property and lives should realize that their responsibility requires far more dedication and sacrifice than any price tag can compensate.

MALCOLM D. HAVEN  
Charleston, S.C.

## Alive and well

The article "New Horizons in Trucking" [October] contained a false statement: "By January, 1984, collective rate making through industry rate bureaus will end, as will the trucking industry's antitrust immunity."

The Motor Carrier Act of 1980 does provide some limitations on the collective consideration of single-line rates phased through January, 1984, and consideration of single-line rates is essential to the effectiveness of collective rate making. However, the limitations are relatively minor; preserved are all the critical aspects. Collective rate making is alive and well and will remain so.

DARNEY T. WARING, JR.  
Washington, D.C.

## Using what's there

Re: "Exporting—A Matter of Survival" [October]. The government approaches many problems by starting something new rather than utilizing what already exists. There are a vast number of export management companies in the United States that can and should be the basis for the trading

companies currently being discussed by the Department of Commerce. Assistance and incentives to new exporters or small manufacturers can best be provided by utilizing these established companies.

EDWARD S. BENHOFF  
Euclid, Ohio

## Does it work?

As a veteran of 25 years in the U.S. Foreign Service, followed by 13 years in a multinational private industry, I'd like to offer a postscript to "The Wrongs of the Rights Policy" [Sound Off Response, October].

Both in and out of government, the question is too often presented as a bipolar problem: whether we are to stand up and be counted for human rights or to compromise these principles in our concern for private and national economic interests.

But there is a third criterion. Does the proposed embargo or banning of export credits actually work? Does it visibly deter the tyrants or make the racial bigots color-blind? Does it win more exit visas for Soviet Jews? Obviously, these measures have not worked. We are reminded that: "If it ain't broke, don't fix it." I would add a corollary: "If it won't work, don't try it."

ARMISTEAD M. LEE  
Arlington, Va.

## Military machine

"We Can Revive Productivity" [October] failed to mention military spending. A high percentage of natural economic and human resources is poured into the production of military hardware. This section of the U.S. system depletes natural resources without producing any consumer goods.

If inflation is to be halted, we must bring demand (consumer dollars) into balance with available goods (productivity). This cannot happen until we stop financing the military machine with new money (deficit financing).

FLORIEN J. WINERITE  
Salt Lake City, Utah

## Patriotism didn't pay

I think all people over 65 years of age should get a tax break like those people over 55 who sell their homes and don't have to pay taxes on profits up to \$100,000. If, years ago, I had purchased a home instead of E Bonds, which pay only 6 percent, I could also benefit from the tax break. But I was patriotic and got beaten by inflation.

MYRTLE HOLMAN  
Chicago, Ill.

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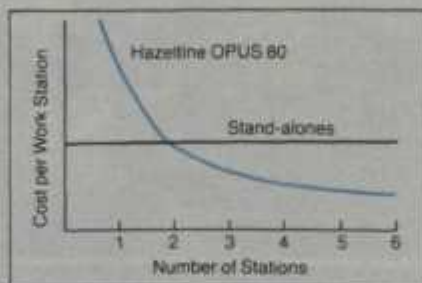
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## On Reaching Threescore Years

**S**PEAKING STATISTICALLY, there's nothing very novel about getting to be 60 years old. I looked in the book. More than 20 million of us are between 55 and 64, and another 24 million of us are over 65. It's not what you would call an exclusive fraternity.

Yet it's a novelty for me. I have never been 60 before, and sitting in my office this morning, watching the autumn leaves drifting down past my window, I find it a pleasant occasion. I looked in the book again. A male child born in 1920 had a life expectancy of 54.4 years. By golly, I have beaten the odds, and I have a way to go yet.

I covered Richard Nixon off and on in the campaign of 1972. He had a stock sentence that he used repeatedly. It was to this effect—that if he had been offered a choice of any place and time in the whole of history in which to be born, he would have chosen the United States of America in the 20th century. Let me say amen to that. In recent years I have seen a good bit of the world—the slums of Cairo, the mud huts of Mozambique, the tightly shuttered villages of Italy and Spain—and I always have come home wondering if our people have any deep understanding of their own good fortune. Yes, we have slums, too; we have awful problems of crime and drug abuse, and the hill towns of Appalachia are just as ingrown as the villages of Algeria. But when Americans start complaining, what do they complain about most often? Traffic. Television commercials. The wood-rasp voice of Howard Cosell. It is Thanksgiving time, and we ought to do just that: give thanks.

Back in 1920 we were a nation of 105.7 million persons; today we number 225 million. The small towns of my boyhood have grown into cities, and the cities have grown into Standard Metropolitan Areas. It's a beautiful experience to fly by night along the East Coast: An unbroken necklace of lights stretches from Boston south to Richmond. The lights tell their own story of the richness and vitality and variety of our lives. Now and then an orator speaks of the American "dynamic." What does the word mean? I looked in the book. A dynamic force is "marked by continuous, usually productive activity or change." That's my country.

Most of the changes of my lifetime have been good. Some have been disturbing, some plainly bad. The technological marvels are precisely that—things to marvel at. It was a memorable day in the Oklahoma household of my boyhood when my father got Pitts-



PHOTO: DENNIS BLACK—BLACK STAR

burgh on the Philco radio in the living room. He summoned us to come listen to the call letters. Nowadays we bounce signals off space satellites; we get television live from Tel Aviv or London; the resources of data retrieval systems leave me dizzy. I took my first flight in the early '30s in a barnstorming biplane at an Oklahoma state fair. When the DC-3 came along, it seemed the ultimate. Last year my wife and I flew back from Paris in a Concorde. Marvelous! And 60 years hence—I won't be around, but it will happen—men

will look back on the Concorde with nostalgia.

Changes in technology have been surpassed by changes in human understanding. The book informs me that 1920 saw 1.2 million marriages and 171,000 divorces. Now we have about 2.2 million marriages a year and 1.2 million divorces. No stigma attaches to divorce anymore, and almost none to births out of wedlock. The 1980 census will show a remarkable number of POSSLQ's; these are Persons of Opposite Sex Sharing Living Quarters. A study indicates that nearly half of all girls under 18 have had sexual intercourse. Perhaps today's society has won new freedoms, but I suspect it has lost some old values.

**O**THER SOCIAL CHANGES are vastly more encouraging. In his debate with President Carter, Ronald Reagan observed, in effect, that when he was growing up many Americans didn't even know they had a race problem. The remark got the President-elect in trouble for a while, but it was true all the same. In the South we grew up in a relationship of intimate remoteness with the black people around us. The devices of segregation created a wall of permeable glass. We could see through it, hear and speak through it, but we could not touch through it. It never dawned on most of us that there was any other way to live. I doubt that the wall will ever disappear entirely, but today the cruelties of state-imposed segregation are behind us. If I were cataloging the good things that have happened in my lifetime, I think I would put that first.

Being 60 has its drawbacks, I suppose, but it has its wonderful compensations—good memories, laughing grandchildren, time to travel. I am a newspaperman, which is to say that I am in love with the happiest occupation on earth. At one time or another I have hit every state in the Union save North Dakota, and before all the leaves fall I will make it to Fargo and Bismarck or bust. It's a great country out there, and it has been good to me. □



# WHO SAID THAT?

**“If the job [of reindustrialization] is botched, most likely business itself will do the botching. I say this because business leadership is neither homogenized in its views nor disciplined in its spokesmanship.”**

Edward M. Block  
Vice President-Public Relations and  
Employee Information, AT&T

**“As to business regulation, not only do I as a citizen not know what I'm getting, but I certainly don't know how much it's costing me. I have no way to decide whether I like what I'm getting for my money.”**

Roy L. Ash  
Chairman of the Board  
AM International, Inc.



**“I see no need to involve federal bureaucrats in the governance of private corporations, to require those corporations to get federal charters or to appoint board members to represent constituencies.”**

Sen. Howard M. Metzenbaum  
(D-Ohio)

**“I think the best way to secure the Social Security system in the future is for business and labor to get together and concern themselves with a viable, dynamic economy, improve productivity and reach toward full employment. In that case, we can establish an economy that can carry those extra costs that are involved in old age with dignity.”**

Nelson Cruikshank, Chairman,  
Federal Council on Aging, on the TV show "It's Your Business"

**“The ultimate in what now seems to be the trend in corporate governance, incidentally, was achieved by the City Bank as long ago as 1844, when we had nine employees, but 15 directors who assisted in the day-to-day operations. If we are obliged to revive that ratio, we are going to end up with 83,000 new directors.”**

Walter B. Wriston  
Chairman and Chief Executive Officer  
Citicorp

**“Here is an example of what a little plain English [which federal agencies are supposed to use under a 1978 presidential order] can do. The Federal Communications Commission once had a rule that read: 'Except as provided in paragraph B of this section, applications, amendments thereto and related statements of fact required by the commission shall be personally signed by the applicant, if the applicant is an individual.' The new version, translated into plain English, reads as follows: 'If you are an individual, you must sign the application personally.'”**

Peter J. Petkas  
Director  
U.S. Regulatory Council

**“The AFL-CIO has no intention of tucking in its tail and hiding out for four years.”**

Lane Kirkland  
President  
AFL-CIO



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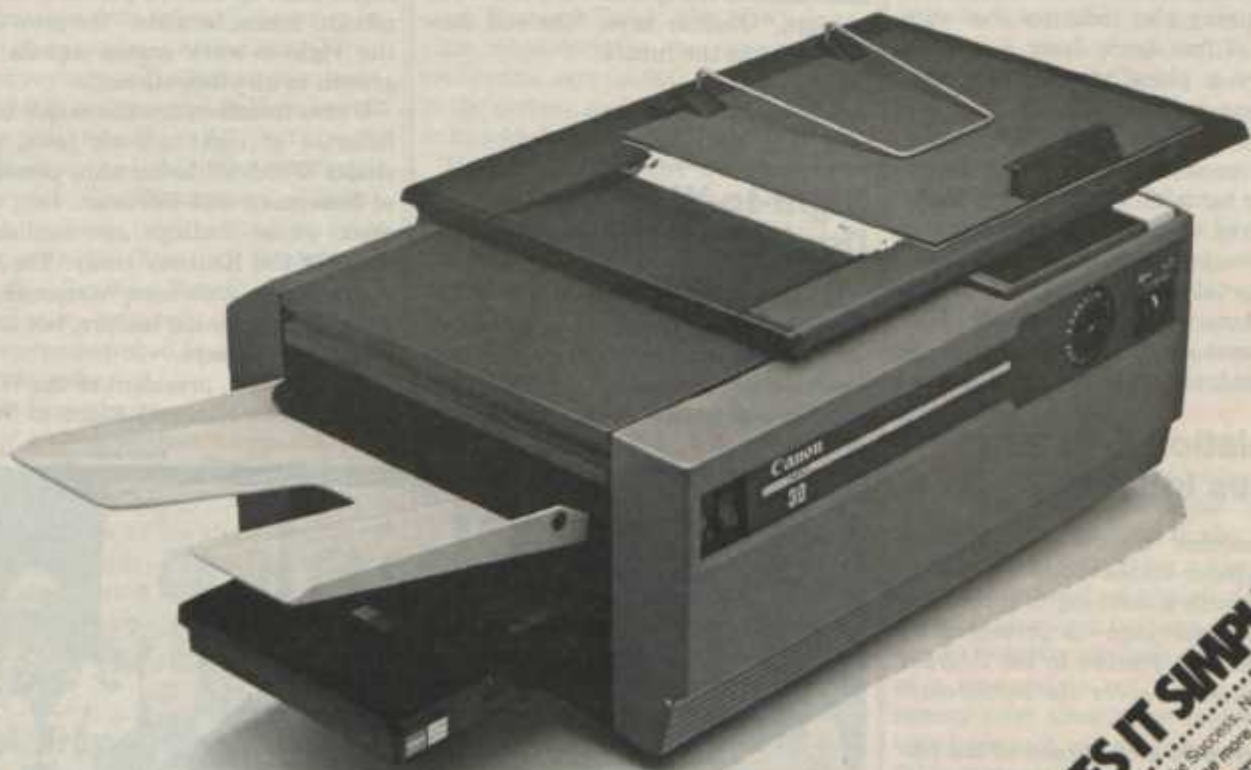
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## THE ECONOMY

### Consumer Confidence Slowly Recovering

Consumers are slowly regaining confidence in the economy, judging by the latest quarterly consumer poll conducted for the U.S. Chamber Survey Center by the Gallup Organization. But inflation is still identified as the No. 1 national problem by a solid 60 percent of those surveyed.

Expectations that incomes will rise less than prices reached a high—58 percent of those surveyed—in December, 1979, and remained there through March, 1980. That figure declined to 53 percent by September.

The survey also indicates that supporters of free trade have an uphill fight. By a plurality of 47 percent, Americans believe that limiting imports would benefit the U.S., while only 26 percent feel that new limits would be harmful. Further, such limits are favored even though 67 percent of the respondents expect foreign countries to retaliate. By a 71 percent majority, Americans say that the U.S. government should more actively enforce antidumping laws.

### Population Pressure Causes Inflation?

Yet another theory of inflation—with ominous implications for the future and with something in it to upset just about everyone—is presented by David Hackett Fischer in the *Journal of the Institute for Socioeconomic Studies*.

Fischer, who is chairman of the history department at Brandeis University, Waltham, Mass., concludes that population growth is the principal cause of inflation. Since A.D. 1000 there have been four major waves of inflation in the West, each lasting about 100 years, he says. The first three were preceded by rapid increases in population, and "the pressure of population against resources caused an increase in demand."

The fourth wave, still in progress,

dates from 1896, Fischer says. The first three waves of inflation occurred in the 13th, 16th and 18th centuries. Each ended "in the collapse of an old social order and the creation of a new one," the historian says.

Although population in the West is not rapidly rising now, the current wave is similar in most respects to those that preceded it, according to Fischer, including the fact that "in every long wave, energy and food prices rose most rapidly and industrial prices tended to lag behind."

There is one major difference, however, says Fischer. "The rate and magnitude of chronic inflation in our contemporary world is greater than in" the earlier periods. And while "the conclusion of the fourth wave is not yet in sight," Fischer says, "the end cannot lie far in the future."

## CORPORATIONS

### Right-to-Work Laws Don't Curb Unionizing

State right-to-work laws, which forbid compulsory union membership or dues payments, apparently have little effect on the outcome of union certification elections. This conclusion,

reached in separate studies by two management consulting firms, contradicts a widespread belief that workers in the 20 right-to-work states are less likely to join unions.

During the three years from 1977 through 1979, unions in manufacturing companies won 39.4 percent of elections held in right-to-work states and 40.5 percent of those that were held elsewhere, reports A. T. Kearney, Inc., New York.

The AFL-CIO is not surprised by these findings. According to Charles McDonald, an organizing expert for the labor federation: "Over the last 10 years, union membership in right-to-work states has grown almost 25 percent, while membership in the other states went up about 5 percent." In numerical terms, he adds, "the growth in the right-to-work states equals the growth in all other states."

Union members are the major beneficiaries of right-to-work laws, concludes Woodruff Imberman, president of Imberman and DeForest, Inc., Chicago, whose findings are similar to those of the Kearney study. The real opposition to such laws "comes almost entirely from union leaders, not union members," he says.

Reed Larson, president of the Washington-based National Right to Work

PHOTO: STUART KRASNER—UNIPHOTO



Does rapid population growth trigger long waves of inflation?



Committee, says right-to-work laws are not intended to influence representation elections, but rather "to place the responsibility on union officials of having to represent voluntary members." The advantage of these laws for employers, he says, is that they remove from the bargaining table the divisive issue of union security, which is "a cause of some of the most bitter, most vicious strikes."

## SMALL BUSINESS

### Fewer Full Reports, But Same Headaches

Small pension plans will have to file full financial reports with the federal government once every three years instead of annually, starting next July.

The revision will affect approximately 650,000 pension and welfare benefit plans with less than 100 participants and is meant to lighten the employer's paperwork. The Department of Labor, which oversees private pension plans along with the Treasury Department and the Pension Benefit Guarantee Corporation, says only a brief registration statement need be filed in two out of three years.

This time change may turn out to be less of a blessing than it appears, pension consultants warn. Says an analyst at Hewitt Associates, Chicago: "Since a small firm has to file the longer form in the third year, all the record-keeping systems have to be in place. It's just that in some years you'll report less, and in other years you'll report more."

### SBA Trims Red Tape For Federal Bidders

Starting next month, the Small Business Administration will use a much-simplified one-page form for participants in the Procurement Automated Source System (PASS), which helps federal and private sector procurement officers find small firms to do federal work. About 30 minutes will be needed to fill out the self-mailing form, which will be available at 100 SBA of-



Surprise OSHA inspections are again possible, if the inspector has a warrant.

fices around the nation, the agency says. Bernard Kulik, the SBA's associate administrator for procurement assistance, says 35,000 companies are in the system, and 20,000 are projected to be added next year.

However, the SBA doesn't keep track of how many small businesses actually get contracts through PASS in the multibillion-dollar federal market. Says Ivan C. Elmer, director of the U.S. Chamber Center for Small Business: "PASS has been a considerable disappointment to some small business people. Those in charge say they have the problems solved, but something isn't working."

## GOVERNMENT

### Surprise: OSHA Has New Inspection Rule

After running afoul of the courts on a previous version, the Occupational Safety and Health Administration again has a rule that allows its inspection officers to obtain search warrants to enter workplaces without first notifying employers. The new rule, which took effect last month, has yet to be challenged.

Back in 1978, the Supreme Court ruled that Section 8 of the Occupational Safety and Health Act, which authorized warrantless inspections without an employer's consent, was unconstitu-

tional. But, the Court said, the act did allow inspection with an employer's consent or, lacking that, with a proper court warrant. By 1979, the agency had promulgated a rule permitting one-party search warrants. But an appellate court found the rule invalid because the agency failed to provide public notice and opportunity for comment in establishing the rule.

Last spring, OSHA tried again. A rule it issued this time, almost identical to the 1978 effort, drew only 130 comments from the public, mostly unfavorable.

While employers who refuse admission to an OSHA inspector—only about 3 percent do—cannot prevent the grant of a warrant to the agency, the procedure for getting a warrant after being refused admission does give the employer time to check with an attorney or safety advisers. And issuance of a warrant is not automatic—the agency must show some evidence of a violation, such as employee complaints. Still, the agency may obtain the warrant in advance under some circumstances, so the possibility of surprise inspections remains.

### FTC Decision Due Soon On "Cooling-Off" Rule

The Federal Trade Commission is now reviewing the three-day "cooling-off" rule imposed in 1974 on door-to-door sales to give customers a chance



to reconsider their decisions to buy. Two surveys early next year will determine how many consumers have used the rule and think it necessary and what impact the rule has had on the direct sales industry.

Sellers want the FTC to exempt companies that offer money-back guarantees from the requirement that two copies of the rescission form plus an explanation from the salesman accompany every sales contract over \$25 made in the home. However, the FTC rejected such an exemption in 1976 because, it said, the guarantees were not specific as to who paid shipping costs, how long a refund took to be processed or what were grounds for return of an item or cancellation of a contract.

More than a billion forms have been handed out with sales orders and receipts since 1974, but only a few hundred have been used to cancel purchases or services, the Direct Selling Association claims.

The FTC cannot unilaterally change the rule—there would have to be a whole new rule-making procedure. However, some thought has been given to rewriting the 228-word notice into more readable English, and the FTC may raise the floor on purchases for which the cooling-off form is required from \$25 to \$50 or even \$75.

## AGRIBUSINESS

### Farmers Support Rail Improvements

Will the U.S. transportation system be able to move expeditiously all the grain and soybeans—to say nothing of coal—that will be produced in record volumes over the next few years?

Two recent studies strongly suggest that if the nation's transportation system is not improved, there will be a marked slowdown in the movement of grain and oilseeds destined for foreign markets.

Pioneer Hi-Bred International, Inc., of Des Moines, Iowa, in a study based on a poll of 35,000 farmers and 2,000 grain elevator managers, found general agreement that if the transportation system is placed under additional strain the result will be lower prices to producers and a further adverse imbalance in our trade abroad.

The Rural Transportation Advisory Task Force created by Congress to study the system has recommended, among other things, a government-backed loan program focused on im-



Many farmers are willing to pay higher freight rates to improve transport of grain.

provement of the nation's rail lines.

Fifty-eight percent of the respondents to the Pioneer poll called for long-term, low interest loans from the federal or state governments to help the railroads upgrade their main lines. Also, 53 percent came out for allowing railroads to charge higher freight rates that would make rebuilding of these lines financially attractive. But the poll revealed strong sentiment against direct federal investment in the railroads.

The Pioneer poll showed that the problem of moving grain and soybeans to market lies not only with the deteriorated condition of the railroads. About a third of the respondents pointed to the rundown condition of country roads and bridges, which hampers the movement of farm products and farm machinery.

## INTERNATIONAL

### Global Recovery Predicted for 1981

Signs of recovery in the global economy should begin to show up in 1981, says the Bank of America. The San Francisco bank predicts that, after dropping to 2 percent last year, world economic growth will rise to 2.5 percent in 1981.

Rates of economic activity among leading nations are expected to move upward, but not in concert. The growth of countries that have performed well in 1979 and 1980, such as Japan and Germany, will slow until mid-1981, the bank says, while those countries that have recently experienced economic downturns, such as

the United States and the United Kingdom, will begin to expand again.

"Global economic trends are no longer dominated by the sheer size of the U.S. economy," the report says. "In 1950, for example, the U.S. accounted for 45 percent of the world gross domestic product. Today it accounts for only 25 percent."

World trade should increase about 15 percent in 1981, somewhat slower than the 1980 growth rate of nearly 18 percent.

### You, Too, Could Be A Foreign Agent

If you aren't careful, you may become a foreign agent. Reason? The Foreign Agents Registration Act, passed in 1938 and last amended in 1966, has been getting a lot more attention because of Billy Carter's Libyan involvement.

The act requires registration of people doing international business that involves foreign governments in any way. Registration requires that a business list each of its clients, what the client does, what the business does for the client and how much it is paid for the service.

The act is very complicated and subject to many different interpretations, warns Thomas S. Hahn, an attorney with the Washington law firm Irons & Sears. "If you think it might apply to your business, you should have your lawyer check it out," he says. For example, he says, if you work for an advertising agency that places ads for a foreign winemaker which is not government-owned, you need not register. However, if your client asks you to look into import regulations that



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might affect him, you are getting close to the line and it is time to get legal advice.

Violation of the act is a criminal offense and extends to all officials of an organization. Also, there is no statute of limitations, so even if the offense occurred 20 years ago, you could still be charged, says Hahn.

## TRENDS

### Electronics Industry May Be Losing Lead

There's a prospect of bad economic weather ahead for the U.S. electronics industry, according to consultant Jerry Wasserman of Arthur D. Little, Inc., the Cambridge, Mass., research firm.

While U.S. manufacturers have seen sales soar from about \$28 billion in 1970 to more than \$80 billion in 1979, they have suffered an erosion in world market share from approximately 60 percent to 40 percent. Wasserman predicts a continuing decline during the 1980s.

"The electronics industry today is showing some of the characteristics of other U.S. industry front-runners which have lost market position to foreign competitors," he says.

There is some indication that the Japanese are producing better silicon chip devices, according to a recent study by Hewlett-Packard Corporation, Palo Alto, Calif.

Wasserman says another problem is the U.S. electronics industry's reluctance to look beyond domestic markets. He points out that "voice recognition is one of the hottest technologies of the 1980s, but it was the German firm Siemens—not a U.S. firm—which acquired the small New Jersey company that had taken the lead in that technology."

### Let Your Computers Do the Walking...

The telephone book may be headed toward extinction.

American Telephone & Telegraph Company is market testing an electronic directory that flashes telephone numbers on a small display screen. The screen will produce everything from a single residential number to entire sections of what now appears in the yellow pages.

The equipment includes a keyboard and screen about the size of a small standard television set which, along

with the telephone, are connected to an electronic terminal.

AT&T, in conjunction with the New York Telephone Company, tested a pioneer version of the electronic information equipment in some 100 residences and business firms in 1979. A more sophisticated version will be tested next year in the Austin, Texas, area by some 700 Southwestern Bell private and business subscribers. In the Austin tests, the regular telephone directory and some 100,000 frames of advertising and consumer information that appear in the yellow pages will be stored for subscribers' use.

## PERSONAL

### Get a Break From the Sun?

Are you missing a tax break? Nearly two years ago, Congress established federal income tax credits to reduce the cost of residential and commercial solar energy systems, yet only a small fraction of Americans are taking advantage of the incentives.

Only 6 million returns claimed energy credits for the 1978 tax year, and only 68,000 were for renewable energy sources, such as solar collectors. The others were for energy conservation measures.

Last summer, the tax credit for qualified investments made for residential solar, wind and geothermal devices was increased from 30 to 40 percent of the first \$10,000. The refundable busi-

ness energy investment credit was stepped up from 10 to 15 percent for equipment that uses solar thermal or wind energy to generate electricity or to provide heating, cooling or hot water in a commercial structure. Also, a 10 to 15 percent nonrefundable credit is allowed for equipment using solar energy to provide industrial, agricultural or commercial process heat.

### Keep Your Distance By Remote Control

If you're one of those executives who are as sensitive to uninvited visitors as to unwelcome sales figures, a California firm has just the answer—a push-button door closer.

The latest in office aids comes complete with a second button for your secretary who, when spotting Mr. Unwanted approaching, can discreetly close the door and announce that you are in conference.

Marketed through P. S. Accessories, Inc., Palm Springs, Calif., and priced at around \$300, the hydraulic closer comes in colors to match any office decor. The control button can be placed virtually anywhere—telephone, desk, credenza or on the floor.

Edward S. Fulop, president of P. S. Accessories, says sales are increasing by the month; 300 were sold last November alone. Although the idea has been around for about 25 years—remote door closers are standard equipment in jails, for example—Fulop has been marketing the executive door closer for just over two years.



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# A NEW ERA



When the ticket of Ronald Reagan and George Bush met with GOP lawmakers at the Capitol early in the campaign, there wasn't a hint of the landslide that would sweep them into office and elect a Republican Senate.

By Vernon Louviere

**A** GREENSBORO, N.C., businessman probably summed up the hopes of the entire American business community when he said the day after Ronald Reagan's sweeping presidential victory: "We've finally got a man who thinks like a businessman."

What G. Ervin Dixon, financial vice president of Blue Bell, Inc., an apparel manufacturer, was saying is that business is looking toward a Reagan administration to create a climate in which government will work with the private enterprise system to restore economic strength in this country.

Embodied in that hope, of course, is that the newly elected President will carry out his campaign promises of cutting taxes, controlling inflation, slashing government spending, balancing the budget, reining in the regulators and generally "getting the government off our backs."

While no one, least of all Reagan

himself, thinks that any of this will be easy, the new chief executive's chances of success have been enhanced by a massive philosophical transformation of Congress. The Senate is now under largely conservative control, and the House has moved closer to the center of the political spectrum.

One of the results of the election, as far as Congress is concerned, is that the existing coalition of Republicans and moderate-to-conservative Democrats has been strengthened. This should serve to further dissipate an antibusiness attitude, which in recent Congresses had already started to fall out of favor.

In almost every survey of business leaders immediately after the election there was general consensus that Ronald Reagan had demonstrated he has the political strength to implement most if not all of his campaign promises. The new 97th Congress, which takes office in January, is unquestionably aware that both the Reagan margin of victory and the conservative swing in both houses of Congress could only be interpreted as a clear signal from the voters that they want a change in how the government is operated.

Reagan's "new strategy" for the

1980s was nowhere more clearly expressed than in a campaign speech last September 9 in which he called for:

- Keeping the rate of growth of government spending at reasonable and prudent levels.

- Reducing personal income tax rates and accelerating and simplifying depreciation schedules in an orderly, systematic way to remove disincentives to work, savings, investment and productivity.

- Reviewing regulations that affect the economy and changing them to encourage economic growth.

- Establishing a stable, sound and predictable monetary policy.

- Balancing the budget.

- Restoring confidence by following a national economic policy that does not change from month to month.

In that same speech Reagan underscored his long-held belief that many of the nation's economic ills are best solved by business, not government.

Emphasizing the need for granting faster tax write-offs for depreciation of plant and machinery, he said this would allow companies to generate more capital internally, permitting them to make the investment necessary to create new jobs and become more competitive in world markets.



# FOR BUSINESS



PHOTO: MICHAEL ENNIS/STORM



The new First Family savors the joy of victory, which was due in large part to Ronald Reagan's ability to capture the votes of blue-collar workers.

He also emphasized that he was determined to severely trim back and even eliminate those federal regulations which restrict economic growth. In his words:

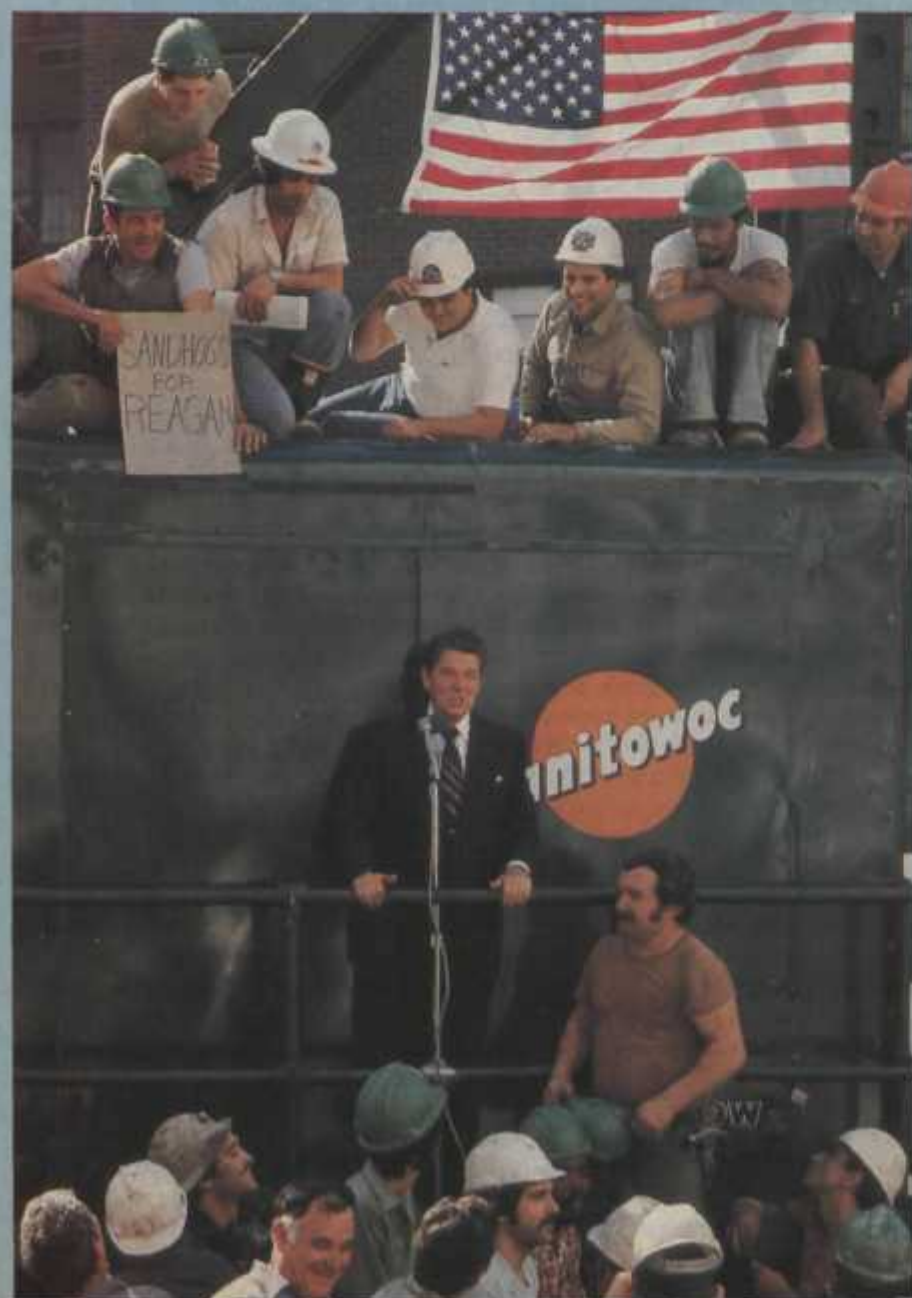
"Government regulation, like fire, makes a good servant but a bad master. In my administration there should and will be a thorough and systematic review of the thousands of federal regulations that affect the economy."

Despite the skeptics, Reagan is convinced that he can cut taxes at the same time that he increases military spending and nudges the federal budget toward the point of balance.

**W**ITH THE Republicans in control of the Senate, Reagan can expect early consideration by that body of major changes in two laws which business insists have contributed to a stagnated economy. One is the Davis-Bacon Act, which requires prevailing union wages and work rules in all federally supported construction projects. The other sets the minimum wage, which employers almost unanimously agree has hampered the hiring of younger workers, particularly those from minorities. Reagan has strongly supported business efforts to exact these changes.

Sen. Jake Garn (R-Utah), who is expected to become the new chairman of the Senate Banking, Housing and Urban Affairs Committee, replacing Sen. William Proxmire (D-Wis.), says he will seek outright repeal of Davis-Bacon to stimulate the lagging housing industry. Reagan most likely will ask for tightening up the administration of the law rather than its repeal.

Sen. Orrin G. Hatch (R-Utah) says one of his first acts of business as the new chairman of the Senate Labor and Human Resources Committee will be to introduce a bill reducing the minimum wage for younger workers. Under his proposal, employers covered by the minimum wage law could hire teen-age workers at 75 percent of the hourly wage floor for adult workers.







Former President Gerald Ford joined the Reagan campaign as the presidential quest moved into the homestretch.

After a six-month training period or after a worker reached the age of 20, the full minimum wage would have to be paid. The present \$3.10-an-hour minimum wage is scheduled by law to increase to \$3.35 on January 1.

Another federal law which has been anathema to business, and one which Reagan has severely criticized, is the Occupational Safety and Health Act. Hatch also will target the Occupational Safety and Health Administration (OSHA) for curtailment, but that will come later.

For the first time in more years than most can remember, the role of organized labor in the affairs of government is on the decline. The election results show labor has lost clout in the Senate. In the House, where members face elections every two years, liberal Democrats know that the price of support for pro-union legislation could be defeat at the polls.

**S**TILL, one must note, while the labor hierarchy, with a few exceptions, opposed the election of Ronald Reagan, union members broke with their union leaders and voted for a Republican presidential candidate in huge numbers. Union workers also registered their discontent by turning out Democrats at every level of government. In the wake of the November surprise, one union official commented: "We've been telling our people for years to vote their lunch buckets, and, by God, this year they did." Reagan, reading this trend, is not likely to

alienate the labor vote and, in fact, is expected to encourage continuation of a dialogue between business and labor.

Early in his administration Reagan will move to redirect the nation's energy program. Unquestionably, he will seek to free the energy industry to try to find more domestic oil and gas; he feels the industry has been held hostage by nonproductive and burdensome government regulations. Nuclear energy will now become an acceptable alternative to dwindling supplies of conventional fuels.

Sen. James A. McClure (R-Idaho), who is one of Reagan's top advisers and is scheduled to replace Sen. Henry M. Jackson (D-Wash.) as chairman of the Senate Energy and Natural Resources Committee, is one of the leading advocates of nuclear energy on Capitol Hill. With Reagan's backing, McClure is certain to place nuclear energy high on his committee's agenda. Prospects also are favorable for tapping much more of the nation's vast coal resources. Coal production has been held back by environmental restrictions. And, in keeping with another Reagan campaign pledge, a drive will be launched to open more federal lands to exploration for oil and gas.

Environmentalists' concerns to the contrary, Reagan will not turn the clock back on the drive to clean up the nation's air and water. Reagan is prepared, however, to demand that business be given more time and flexibility to meet these goals. He will have an opportunity to revise a major regula-

tory statute in this area when the Clean Air Act comes up for renewal early in 1981. Even environmental activists concede they will have to reassess their lobbying strategy to accommodate the new environmental thrust of the Reagan administration.

**I**N SOME AREAS, Reagan will not have to wait for Congress to act in order to forge ahead with his own plans to alter the course of government. He will have immense executive powers to halt and reverse the expansion of the regulatory bureaucracy, which he has persistently accused of stifling the economy.

First and foremost, Ronald Reagan is determined to straighten out the economy. In his first postelection press conference, he said: "I expect to move as swiftly as possible. I think it [the economy] was the issue of the campaign. I think... the American people told us with their votes what they wanted."

The climate for tax relief in Congress is considerably improved since the election. In the Senate, Sen. Robert J. Dole (R-Kans.) replaces Sen. Russell B. Long (D-La.) as chairman of the powerful Finance Committee. While Long is considered a friend of business in many ways, Dole is even more so. Dole, like Long, favors substantial tax cuts both for business and individuals. If liberal Rep. Daniel Rostenkowski (D-Ill.) declines the chairmanship of the tax-writing House Ways and Means Committee, being vacated by the de-



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feated Rep. Al Ullman (D-Ore.), the job will go to Rep. Sam M. Gibbons (D-Fla.), a conservative who, almost alone among senior Democrats in the House, has championed a tax cut this year. Rostenkowski is expected to seek appointment as majority whip, the third highest post in the House, which is being surrendered by liberal Rep. John Brademas (D-Ind.), who was beaten in the election.

Despite Reagan's long identity with the conservative wing of the Republican Party, there is every indication that his approach to government will be one of moderation rather than jolting change—although, to be sure, he has certain conservative positions that will not be compromised.

The same can be said of the new con-

servative leadership in the Senate. Sen. Strom Thurmond (R-S.C.), who is expected to take over the Judiciary Committee from Sen. Edward Kennedy (D-Mass.), says he would like to see Reagan appoint both a black and a woman to the Supreme Court, if vacancies occur. Sen. Hatch, who led the fight to defeat major union-supported labor law changes in the 95th Congress and now will head the Labor and Human Resources Committee, is not likely to call for a wholesale rollback of labor laws. He will, however, be sympathetic to changes in these laws advocated by business. Hatch has even agreed to seek Big Labor's views before moving to reduce the minimum wage for younger workers.

The new President, although he has

promised not to tamper with Social Security, will be compelled to do something about the system's growing deficit. Some options mentioned by Reagan advisers: Raise the age of eligibility for benefits or change the formula for calculation of benefit increases. Business will push to trim Social Security costs and extend mandatory coverage to government employees.

Legislation dealing with pensions will get more attention in the new Congress, with business enjoying some easing up of the growing regulatory burdens, such as the Employee Retirement Income Security Act (ERISA). Many liberal-sponsored proposals that would have posed problems for business—from compulsory private pensions to mandatory cost-of-living



Howard Baker



Mark Hatfield



Pete Domenici



Robert Dole



Lowell Weicker



Orrin Hatch



James McClure



Robert Stafford



Jake Garn



Robert Packwood



Strom Thurmond



John Tower

## Baker's Dozen

For the first time in a quarter of a century, the Senate of the United States is controlled by the Republican Party.

Sen. Howard Baker (R-Tenn.) is expected to become the majority leader in this new Senate and run the show.

Although the membership of the standing committees will be about even, the big prizes are the powerful chairmanships.

Into the catbird seats, so to speak, will move a baker's dozen of senators. Not until the 97th Congress convenes and officially forms will the new starting lineup be firm, but from all indications this will be the roster:

### Senate Committees

Appropriations  
Budget  
Finance  
Small Business  
Labor  
Energy  
Environment  
Banking  
Commerce  
Judiciary  
Armed Services  
Agriculture  
Foreign Relations

### Chairmen

Mark Hatfield (Ore.)  
Pete Domenici (N.M.)  
Robert Dole (Kan.)  
Lowell Weicker (Conn.)  
Orrin Hatch (Utah)  
James McClure (Idaho)  
Robert Stafford (Vt.)  
Jake Garn (Utah)  
Robert Packwood (Ore.)  
Strom Thurmond (S.C.)  
John Tower (Tex.)  
Jesse Helms (N.C.)  
Charles Percy (Ill.)



Jesse Helms



Charles Percy



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Trucks are what we're all about.







House Speaker Thomas P. O'Neill, Jr. (left), and Majority Leader Jim Wright, who must deal with a Republican President and a Republican Senate.

pension adjustments—will likely be shelved. Reagan, however, may embrace one such proposal and run with it. This is a proposal to remove sexual identity as a factor in actuarial computations. Reagan, who has opposed the Equal Rights Amendment, might want to use this as an example of how he intends to eliminate sex discrimination in federal laws.

Congress will battle over unemployment compensation, but there will be less pressure to increase the size and duration of jobless benefits. As for workers' compensation, business will succeed in blocking integration of federal standards into state programs as well as halting the inclusion of occupational diseases under the coverage.

National health insurance is cast into limbo, what with labor's precipitous fall from grace in Congress and Sen. Kennedy's declining influence on social legislation.

**C**ANDIDATE Reagan promised—and he almost surely will deliver—a "thorough and systematic review" of all federal regulations affecting the economy. More specifically, he will demand new rules requiring regulators to spell out the economic impact of federal regulation on business and the consumer. Removal of some regulations affecting the depressed automobile industry is practically a fait accompli.

The whole concept of government regulation faces Reagan shock treatment. Prospects for a "regulatory bud-

get," under which the total costs that regulatory actions impose on business in any given year would be severely limited, are considered good. Among other reforms considered is one that would shift the burden of proof from the regulated to the regulator. Reagan adviser Murray Weidenbaum has suggested a one-year moratorium on all new regulations.

Although Reagan has backed off from earlier threats to abolish both the Departments of Education and Energy, he is determined to trim their size and influence.

President Carter's defeat and the swing of power in the Senate virtually assure shelving of many legislative measures feared by business. Among these is a bill to overturn the so-called Illinois Brick decision, which provides that an antitrust damage suit can only be brought by the first purchaser of a product or service. Another would impose criminal penalties on corporate officers for violations committed without their approval or knowledge. Still another would permit the government to underwrite the expenses of hand-picked witnesses called to testify in regulatory hearings against business firms.

Small business, battered by the effects of a sagging economy, can expect some relief from the new administration and Congress in the form of lower taxes. Relief also will come with the lifting of some of the regulatory burdens shouldered by small business. Sen. Lowell Weicker (R-Conn.), who is

expected to take over as chairman of the Senate Small Business Committee from defeated Sen. Gaylord Nelson (D-Wis.), will focus his attention on commercial-credit reporting practices, privacy of business records and the federal surety bond program.

On the House side, Small Business Committee Chairman Neal Smith (D-Iowa) may give up this post for the chairmanship of an Appropriations subcommittee. His likely successor is either Rep. Parren Mitchell (D-Md.) or Rep. John LaFalce (D-N.Y.).

How farmers and agribusiness will fare after the Senate musical chair exercise is uncertain at this stage. Arch-conservative Sen. Jesse Helms (R-N.C.) takes over the chairmanship of the Agriculture Committee. He is expected to push for reduced agricultural price supports when the Food and Agricultural Act comes up for renewal in 1981. Helms, who vigorously opposed President Carter's partial embargo on grain sales to Russia, can be expected to drastically restrict the food stamp program if he has his way.

**A**MERICA's competitive position in world markets is expected to improve. This could come about if Congress acts favorably on measures which would remove some undesirable features in the Foreign Corrupt Practices Act, strip away troublesome sections of the antiboycott laws and extend the Domestic International Sales Corporation (DISC) program. Passage of an export company trading act and easing of antitrust restrictions on overseas ventures are considered likely.

Next month the guard will change in Washington. Thousands of Democratic political appointees will be jobless, to be replaced by thousands of Republican political appointees. Congressional staff members will engage in musical chairs, some for the first time in decades.

When the dust settles, as it always does, Washington will go on, but this time there is a world of difference for business because there is no question that this will be a probusiness Presidency, a probusiness Senate and a House grown more conservative and less antagonistic to business.

Richard L. Leshner, president of the U.S. Chamber of Commerce, sums it up succinctly: "We are on the threshold of a new age of economic progress." □



To order reprints of this article, see page 55.



# The Greenbrier: Legendary Winter Weekends at Get-Away Prices.

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\*Service charge and tax not included. Rates increase \$5 daily in November and March. Four or more couples making reservations together receive a complimentary parlor as available on a first-come, first-served basis. For reservations call toll-free (800) 624-6070, in WV (304) 536-1110. Or see your travel agent.

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# Forming A Corporation

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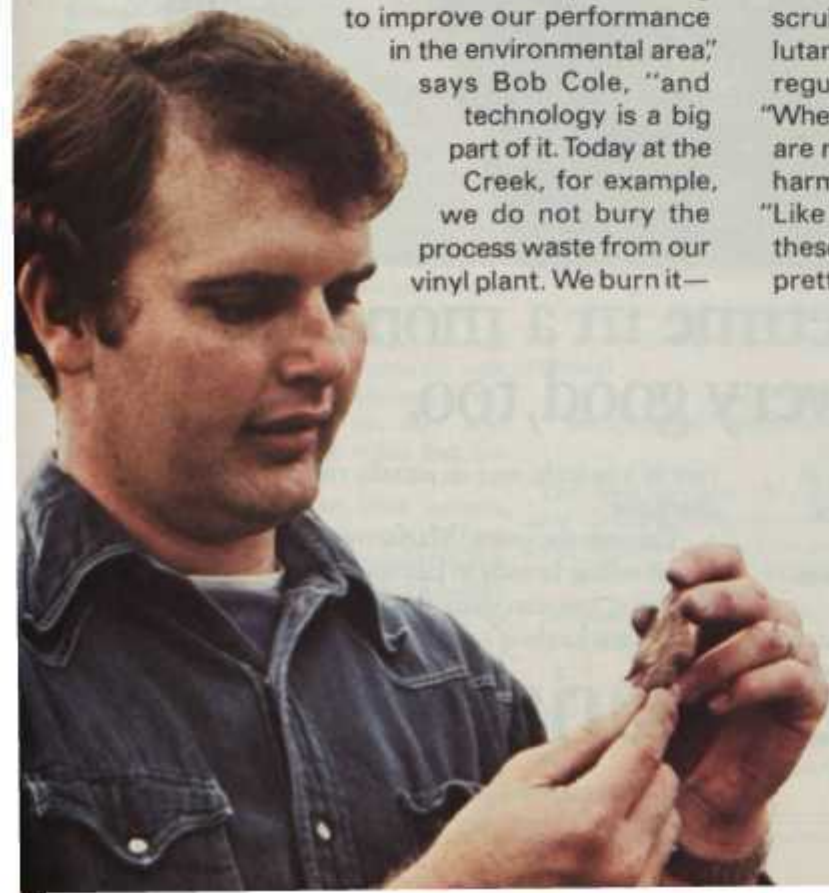
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# Forming A Corporation

## Not Just For The Wealthy

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Thanks to a revolutionary new method, you can set up your own corporation without expensive lawyers, all by mail and without ever leaving home. And it's 100% safe, ethical, and legal.

Your own small corporation is our country's number one way to financial success. This year the IRS tells us there will be at least 5,000 new millionaires. Over 95% of them built their fortunes through a privately owned corporation. Therefore, a successful, privately owned corporation represents the best of the American Dream.

And you don't need a big staff or big money.

Most corporations are started with little or no capital, and with only one employee—the owner.

A business revolution has occurred in recent years. Nearly half a million people have already been helped in forming small corporations with the aid of a remarkable book. It's called: *How To Form Your Own Corporation Without A Lawyer For Under \$50* by Ted Nicholas. It's now in its fully revised and updated 12th edition. And now you can get your own personal copy to examine—without risk—to learn how a corporation applies to you and how you can reap maximum benefits.

Most men and women who have used the incorporation system outlined in the book are simple one-person business operations. These businesses were often started on a part-time basis by people right in their own homes. You'll save from \$300 to over \$2,000 in unnecessary legal fees by the do-it-yourself simplified method. Tear-out forms are right in the book; certificate of incorporation, minutes, by-laws, everything you need. And you can complete the forms in less than five minutes!

You too can start your small business corporation in your spare time while you keep your present job. Another possibility is that you may be able to turn your present job into a corporation of your own. And you'll be shown exactly how to do this.

Your own corporation gives you personal protection. Your personal liability will be limited just to what you put in the corporation itself. Your home, furniture, cars, and personal cash are all protected in the event of any business disaster.

You'll see how to begin with little or no

capital—zero capital, if you prefer.

All you need is a marketable idea, product or service. Then your potential for building real wealth is enormous. Ted Nicholas' remarkable book will help trigger many new ideas.

Your own corporation can be used as a personal tool to gain all types of legitimate tax deductions. It will become the *ultimate tax shelter* for you. For example, a new car purchase or lease is tax deductible over the life of the car. So are gasoline expenses and repairs. The same goes for other equipment used in your business. There are *hundreds* of legal tax deductions.

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You may choose to set up a lucrative pension and profit-sharing plan with yourself as the main beneficiary. You can gain far greater benefits than unincorporated people do.

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As attractive as it is, incorporation is not

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"This book succeeds...because it fills a real need. Brought public information that previously had to be bought from an attorney."

**Publisher's Weekly**

"Anyone thinking of incorporating...should not skip any pages."

**Sacramento Bee**

"Impressed by speed, efficiency and cost."

**Roger Beardwood**  
Woodcat Investments, Inc.  
France

for everyone and may not be for you. However, the book will help you decide if it would be advantageous for you now or perhaps later. All the advantages and disadvantages are reviewed. If you decide to incorporate, it can be done by mail within 48 hours. You never have to leave the privacy of your home.

The author started his business without any capital at the age of 22. Without credit or experience, he raised \$96,000 to begin a confectionary business. From that starting point grew a chain of 30 stores. At the age of 29, he was selected as one of the outstanding businessmen in the nation. This resulted in an invitation to the White House to meet the President.

He wrote the book *How To Form Your Own Corporation Without A Lawyer For Under \$50* because he felt many more people could become corporate presidents of their own companies. The book has become the largest single source of new corporations in America.

Just picture yourself president of your own corporation. The book gives you the information you need to make your decision.

As a bonus for ordering the book now, we'll send you absolutely free a portfolio of valuable information. It's called "The Income Plan" and normally sells for \$9.95. It describes a unique plan that shows you how to convert most any job into your own corporation. You'll increase your take-home pay by up to 40% without an increase in salary or even changing jobs in many cases.

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# The Soviets Watch For A Trade Thaw

By Bob Aaron

**R**ONALD REAGAN'S MOVE into the White House next month is unlikely to result in a quick thaw of the chilled political and economic relations between Washington and the Kremlin, according to Soviet officials.

"From the campaign," one of them confided in the final days before the election, "it is clear that the U.S. political climate is changed for the worse. No matter who is the next President, military spending will increase, and we will confront the threat of a new arms race."

But another Soviet observer of American politics is less pessimistic: "We cannot predict with certainty what Ronald Reagan will do. Most American Presidents—progressives or conservatives—move to the center. Much depends on Reagan's inner circle of advisers."

With a new administration about to take command in Washington, the Soviet Union also is on the brink of a major leadership shuffle. Many of the Kremlin's top officials are aging and ailing, including Soviet President Leonid Brezhnev, who turns 74 this month. The 15 members of the ruling Communist Party Politburo average 69 years of age. There already has been one leadership change. Premier Alexei Kosygin, 76, who was deeply involved in economic affairs during his 16 years in office, stepped down this fall, apparently because of ill health. His replacement by his deputy, Nikolai Tikhonov, 75, was seen in some quarters as a last-ditch effort by Brezhnev to put off an inevitable influx of younger leaders.

Major economic initiatives are ahead in both nations. There will be efforts to rebuild Ameri-

ca economically, so it can better compete in this changing world.

Meanwhile, the Soviet Union is embarking on a new five-year development plan, spanning 1981 to 1985, as it grapples with an economy increasingly plagued by sluggish growth, poor grain harvests and erratic supplies of consumer goods.

Efforts to fulfill the Kremlin's economic goals, which are expected to focus on energy development and consumer-goods production, are likely to be stymied by problems at home and abroad.

Economic growth in the Union of Soviet Socialist Republics slowed to less than 1 percent last year, according to the U.S. Central Intelligence Agency. Brezhnev recently chided top Communist Party officials about "shortcomings and bottlenecks" in the nation's economy, calling improvements in consumer-goods production "of paramount economic and political importance." Nikolai Baibakov, the Kremlin's economic-planning chief, the next day reported to party leaders that the Soviet grain crop this year totaled 181 million metric tons—54 million metric tons less than Moscow had hoped to harvest.

**T**HE SOVIETS will launch their economic plan with upward of 100,000 troops bogged down in a guerrilla war in Afghanistan—a war that blew the chill into relations with the United States, triggered a new round of economic warfare between the White House and the Kremlin, and left foreign-trade prospects a large question mark in the minds of Soviet economic planners and U.S. business people.

The invasion led to an American boycott of the Moscow summer Olympics and an embar-

BOB AARON is managing editor of the weekly business newspaper Washington Report. He obtained information for this article during extensive interviews in both Washington and Moscow.





Tanks roll across Moscow's Red Square during a May Day parade. Military spending, a major factor in Soviet economic planning, was estimated at \$165 billion for last year by the U.S. Central Intelligence Agency—about 50 percent higher than the U.S. defense budget.



The summer Olympic Games held in Moscow this year were boycotted by the United States and other nations as a protest against the Soviet invasion of Afghanistan.



The Soviets' electricity production growth rate fell below 4 percent in 1978-79 after 7 percent annual gains earlier. This is the Bratsk hydroelectric plant in Siberia.



go on certain advanced-technology shipments bound for Russia. Also, sales to the Soviets of millions of tons of corn, wheat, and soybeans and soybean meal were suspended.

Moscow is testy about such actions, but Soviet officials say they are far more concerned about what happens to the stalled strategic arms limitation treaty—SALT II. Following the invasion of Afghanistan, President Carter asked the Senate to put off debate on the treaty, which he and Brezhnev had signed last year. President-elect Reagan, fearing loss of U.S. military superiority, has pledged to scrap the treaty and seek to renegotiate it.

The Soviets have insisted there can be no renegotiation—that the Senate must ratify it as signed. SALT II, say Soviet officials, is the real litmus test of U.S.-Soviet relations.

"We can do without trading with each other," says tough-talking Oleg Tishniko, chief of the Soviet Foreign Trade Ministry's North American Section. "Trade is an important factor in strengthening peace, but foreign trade is not decisive to the gross national products of either the U.S. or the Soviet Union. Trade makes up about 10 percent of each GNP."

Bagrat Arutiunov, deputy chief of the information department at the U.S.S.R. Chamber of Commerce and Industry, argues that "this period proves that the Soviet Union can exist without U.S. technology. We have good relations with American firms, but we also have very good cooperation with France, Italy, the Federal Republic of Germany and Japan. Many times, these countries are ahead of the United States in terms of trade volume and technology."

U.S. sales to Moscow of manufactured goods incorporating advanced technology—such as computers and oil-drilling equipment—ranged from \$150 million to \$216 million a year be-

tween 1975 and 1979, the U.S. Commerce Department says.

Tishniko explains that bilateral business last year amounted to about \$2.8 billion. "We were hoping to get more trade or to keep it about the same this year," he admits, "but in 1980 trade will be cut in half to about \$1.5 billion." The cut is due to White House trade curbs.

The Soviet Union's GNP grew at a

"At the end of the 1960s, the Soviets decided to solve the growth-rate problem with technology," explains Penelope Hartland-Thunberg, director of economic research at Georgetown University's Center for Strategic and International Studies. "The solution to the technology problem was to get it from the West, which is cheaper for the Soviets than undertaking a major research and development program of their own."

Alexander Beltchuk, a top official of the Soviet Institute of World Economy and International Relations, says that during the early 1970s about 7.5 percent of the equipment installed in the Soviet Union came from Western nations and roughly an equal amount was imported from the communist nations of Eastern Europe.

These imports, while not overwhelming, were concentrated in key industries, Beltchuk says, including automobiles, metallurgy, chemicals, oil and natural gas. One third of all pipes used in the oil and gas industry at that time were imported, he explains.

In the aftermath of President Nixon's 1972 summit meeting in Moscow, Soviet and American negotiators worked out a trade agreement in five months of haggling. The pact's provisions principally dealt with the granting of nondiscriminatory tariff treatment—most-favored nation trading status—by both sides,

safeguards against market disruption and threats to national security, the setting up of commercial offices in Moscow and Washington, and arbitration of business disputes.

In December, 1974, Congress adopted an amendment to the trade pact, known as the Jackson-Vanik amendment, which effectively made most-favored-nation status for communist countries contingent on their emigration policies. MFN status also was made a prerequisite for access by such countries to U.S. government trade

PHOTO: MOODON GIBUD—BLACK STAR



Soviet economic fallings irk President Leonid Brezhnev.

7.3 percent clip just 10 years ago, but plummeted to a 0.7 percent rate last year, the CIA estimates. The Soviet economy slowed to a crawl in 1978-79, registering an average annual growth rate of 2.1 percent—the lowest for any two-year period since World War II.

The slowdown—after 25 years of substantial growth fueled by large amounts of capital and labor—is credited to a leveling off of oil production, a decline in coal output, an increase in raw-material prices and a tailing off of investment growth.



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## East Meets West

A Chevrolet Camaro was recently spotted parked outside a Moscow restaurant featuring the cuisine of Soviet Georgia. Georgians have a reputation in Russia for being wheeler-dealers.

While American cars are rarely seen in Moscow's traffic, other Western products often slip into the Soviet economy.

Booths that sell Pepsi-Cola are on many Moscow streets. Smokers frequently light up American cigarettes. Foreigners—encouraged to spend their dollars, marks and yen in special stores stocked with hard-to-get products—buy U.S. brands for Soviet friends. Price: \$15 a carton.

Homeward-bound Soviet officials routinely tote stereo equipment. At a Washington airport recently, one had a shopping bag from which a Monopoly game protruded.

credits. The amendment was passed in retaliation for a Soviet regulation levying a substantial education tax on emigrants—a move largely aimed at harassing Jews wishing to leave the Soviet Union. Congress also placed a \$300 million cap on additional U.S. Export-Import Bank credits to the U.S.S.R., while curbing or banning Eximbank financing for Soviet energy projects.

If MFN had been given to Moscow, Soviet goods could have entered the U.S. market at lower tariff rates. Donald M. Kendall, chairman and chief executive officer of PepsiCo and a former U.S. cochairman of the U.S.-U.S.S.R. Trade and Economic Council, has pointed out that the lack of MFN increased duties on Soviet goods anywhere from 23 percent on machine tools to 78 percent on liquor.

Shortly after Congress adopted the Jackson-Vanik amendment, the Kremlin scuttled the trade agreement, charging that the U.S. was meddling in Soviet domestic politics. "The U.S. government tried to influence development of the internal structure of the Soviet Union, an unacceptable condition to put on a great country," asserts

Georgy Skorov, deputy director of the Soviet Institute of U.S. and Canadian Studies. The institute is headed by Georgy Arbatov, the Kremlin's top expert on American affairs and an influential adviser to Brezhnev and Foreign Minister Andrei Gromyko.

**D**ESPITE the lack of a commercial agreement, trade between Washington and Moscow climbed from a meager \$191 million in 1970 to a record \$2.8 billion in 1978. But American sales to Moscow that year still represented only 1.3 percent of total U.S. exports, while U.S. purchases from the Soviet Union—principally, refined metals, ores and fuels—amounted to just 0.16 percent of total American imports. Moscow's business dealings with the United States amounted to only 2.5 percent of its foreign trade.

The United States was the leading Western exporter to the Kremlin in 1973 and 1976, according to Soviet statistics, but in other years lagged behind West Germany and Japan.

U.S. farm exports to Moscow have played an important role in Soviet agriculture—a chronically troubled portion



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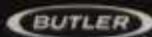
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of the U.S.S.R.'s economy. U.S. grain sales to the Kremlin accounted for 68 percent of all American exports to the Soviet Union between 1972 and 1978. Half of all Soviet grain imports during most of the 1970s came from U.S. farms, boosting agricultural trade between the two countries from \$31 million in 1971 to a record \$1.7 billion seven years later. The farm trade was spurred by poor Soviet harvests.

A five-year grain-sales agreement was negotiated between the Soviet Union and the United States in 1975, committing Moscow to annual cash purchases of a minimum of 6 million tons of American wheat and corn at prevailing market prices—a deal now in limbo because of American reaction to the invasion of Afghanistan.

"America has disrupted our trade, but we haven't retaliated," the Soviet Foreign Trade Ministry's Tishniko asserts. "We didn't want to share with the U.S. responsibility for worsening U.S.-Soviet relations. We didn't want to undermine our reputation as a good trader. This position is valued."

U.S.-Soviet trade has not been a one-way street, but the traffic has been far heavier from West to East. American exports to the Soviet Union totaled \$10.4 billion between 1972 and 1978, while Soviet exports to the U.S. were valued at \$1.6 billion.

"Large-scale projects developed on a long-term basis—projects of common interest to the U.S. and the U.S.S.R.—are the type of trade that we are interested in," Arutiunov of the U.S.S.R. Chamber of Commerce and Industry says. "We define long-term agreements as five to 10 years. The Soviet side is ready to develop them."

U.S. firms negotiated several equipment contracts with the Soviet Union between 1972 and 1978 covering, for example, \$350 million in sales for an assembly line at a truck factory, \$36 million for an iron-ore facility, \$20 million for ammonia plants, \$25 million for a baby-formula complex and \$148 million for a drill-bit factory.

**T**ESTIFYING before the Senate Banking Committee in October, 1978, C. William Verity, Jr., board chairman of Armco Inc. and co-chairman of the U.S.-U.S.S.R. Trade and Economic Council, outlined a list of 28 projects that U.S. and Soviet business people were considering. Verity, who is the current chairman of the board of the U.S. Chamber of Commerce, noted the number of jobs the projects would create in the U.S. and

the projects' impact on capital formation in America and the U.S. balance of payments. The projects ranged from construction of a Soviet factory that manufactures 3 million pairs of jeans annually to modernization of a Soviet automobile plant.

Now that a hold has been placed on many such projects, Tishniko says: "U.S.-Soviet trade is characterized by unevenness—ups and downs. The reason is that the American side looks at trade as an instrument of political

pressure. It presumes that trade with the U.S.S.R. is more important to the U.S.S.R. than the U.S."

Arutiunov sums up the situation this way: "In 1975 and 1976, thousands of American business people visited the Soviet Union, and there was a lot of interest in developing trade."

"Now we have fewer visitors. The U.S. signed contracts, but export licenses were not given. American firms are losing interest in trade. It is too bad." □

## The Soviet Economy: Slower Growth

A Central Intelligence Agency analysis of the Soviet economy, completed at midyear, shows these trends:

- Industrial growth is expected to improve slightly this year, compared to the record low of 2.2 percent posted in 1979, but to be a long way from the 6 percent yearly rate chalked up in 1971-75. The rate is unlikely to exceed 3 percent because of reduced energy growth, failure to bring new capacity on stream, shortages in domestic steel supplies and railroad bottlenecks.

- Growth in energy production last year fell to 3.4 percent after more than a decade of 5 percent annual rates. Oil production this year is expected to hover around 12.1 million barrels a day—down from the original target of 12.4 million to 12.8 million barrels. Coal output of 725 million tons is forecast for the year, rather than the 745 million-ton target. Output of natural gas should beat the Soviet goal and exceed last year's production by 7 percent.

Investments in oil, gas and coal increased more than 50 percent in 1978. "Despite these actions," the CIA says, "we believe the downward spiral in the growth of energy production will continue."

- Machinery production, long the fastest growing part of the industrial sector, has kept its rank, but its growth has dipped below 6 percent for the first time in a decade.

- The usually fast-growing chemicals industry expanded at less than a 1 percent pace in 1978 and 1979 after averaging an annual 9 percent rate between 1971-75. Fertilizer production, vital to the Soviets' troubled farm sector, fell 10 million

tons below the target for last year.

- A labor crunch is on the horizon for the Soviets in the mid-1980s. The labor force has increased less than 1 percent a year since the 1970 Soviet census.

- Capital costs are climbing steadily as raw materials become more scarce and more difficult to extract. The CIA reports a Soviet official as saying that expenditures needed to produce a ton of petroleum have increased 150 percent since 1965.

While the Soviet economy is troubled, its gains in the 63 years since the Bolshevik revolution cannot be disputed. Twenty-five years ago, as the Soviets completed rebuilding an economy that was ravaged by World War II—a war that cost 20 million Soviet lives—their gross national product was just 40 percent of America's. Ten years later, it had climbed to 50 percent, and by 1977 it had reached 60 percent.

Most of the Soviet gains have been in the areas of defense and new fixed investments, rather than in consumer goods. By 1977, Soviet consumers had reached a living standard only 36 percent of that enjoyed by their U.S. counterparts.

Soviet outlays for investment, defense and space research have overtaken America's. A report on the Soviet economy, published by Congress' Joint Economic Committee, says: "Investment in the U.S.S.R. was 46 percent of the U.S. level in 1955 and 116 percent in 1977. Trends in defense spending are equally striking. Between 1965 and 1977, Soviet defense outlays increased as a share of U.S. spending from 72 percent to 137 percent."





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# It's Taxes' Turn

By Michael Thoryn

**T**AX RELIEF will top the small business agenda on Capitol Hill when the 97th Congress convenes next month.

Several deregulation measures that benefited small business were pushed through Congress in 1980, but Congress shied away from pre-election tax relief. Now it is taxes' turn.

Further graduation of the corporate and individual income taxes, a simplified and accelerated capital cost recovery system and revised estate tax laws to encourage the continuity of family ownership were three top recommendations of last January's White House Conference on Small Business.

The corporate income tax now is graduated only up to the first \$100,000 of net profit. Rep. Neal Smith (D-Iowa), chairman of the House Small Business Committee in the 96th Congress, is sponsoring a measure that would raise that to \$200,000 in two steps.

Robert G. Arnold, who heads the taxation subcommittee of the Council of Small Business of the U.S. Chamber of Commerce, supports taking the graduated tax level all the way to \$500,000—as recommended by the White House Conference. "Most proposals on graduated corporate tax quit too quickly," he says. "They fail to consider the fantastic inflation of the past few years."

Arnold, the chairman of Arnold Machinery Company, a distributor of construction and farm equipment in Salt Lake City, adds that personal tax rates should also be cut, in order to help partnerships and sole proprietorships.

Public attitudes about business are changing, says Al Claseman, president of SES, Inc., a St. Paul, Minn., public accounting firm specializing in small business accounts. "Three years ago profit was a dirty word," he says. "Now labor recognizes along with business that the employer had better make a profit or the worker is out of a job."

Inflation has imposed a particularly heavy burden on many small businesses, Claseman says. "Based on inflation this year, a small business with \$120,000 worth of inventory has to have \$135,000 in inventory a year later to have the same amount of product," he says. "This means the business has to have \$15,000 left over after taxes—just to stay even."

An active worker on small business issues, Bill Nourse, president of Brookmeade Hardware and Supply Company, Nashville, Tenn., says: "If we are ever going to make the small business community a financially stronger part

of the American economy, we have to build on small business' financial base in the form of retained earnings or capital improvements. We have to induce reinvestment."

Nourse, who has five full-time and four part-time employees, adds: "Most really small business people take everything they can out of their business every year."

Reinvestment in small firms is deterred by higher effective tax rates than those paid by larger competitors.

There are several reasons for the difference, says William D. Barth, director of small business practice at the Arthur Andersen and Company accounting firm. He explains: Large companies have the expertise to identify and claim their rightful tax deductions, the operations of many large companies provide above-average benefits from certain credits, and small firms sometimes find the process of claiming a tax deduction to be so burdensome that they simply forgo the opportunity.

**A**CCCELERATED depreciation, as represented by the so-called 10-5-3 bill introduced in the House by Barber B. Conable (R-N.Y.) and James R. Jones (D-Okla.), and a somewhat less generous version endorsed by the Senate Finance Committee, is closer to passage than a more-graduated corporate income tax.

In the Senate bill, likely to be revived in January, investments in equipment and machinery can be written off for tax purposes at a rate about 40 percent faster than under present law. The bill includes a provision, supported by small business, allowing an immediate deduction for the first \$25,000 of expenditures for new and used machinery and equipment.

Arnold, the construction equipment distributor, says accelerated depreciation of factories in 10 years, equipment

## Scenario for Corporate Tax Rate Changes\*

Income	Tax Rate
<b>Current</b>	
Up to \$25,000	17%
\$25,000 + to \$50,000	20
\$50,000 + to \$75,000	30
\$75,000 + to \$100,000	40
Over \$100,000	46
<b>Proposed 1981</b>	
Up to \$25,000	15%
\$25,000 + to \$50,000	20
\$50,000 + to \$100,000	30
\$100,000 + to \$150,000	40
Over \$150,000	45
<b>Proposed 1982</b>	
Up to \$25,000	15%
\$25,000 + to \$50,000	20
\$50,000 + to \$75,000	25
\$75,000 + to \$100,000	30
\$100,000 + to \$150,000	35
\$150,000 + to \$200,000	40
Over \$200,000	44

\*Under Rep. Neal Smith's proposed Small Business Investment Act.



in five and vehicles in three (ergo, 10-5-3) would stimulate businesses of all sizes, but would be somewhat more helpful to large firms than to small ones. "Small business doesn't normally have as much capital investment, proportionately, in heavy goods," he says.

Continuity of small business is another area due for congressional attention. While larger companies generally survive the death or retirement of their current owners and managers, small firms often are liquidated—or sold to larger firms—due to lack of investment and top quality management.

The Office of Advocacy, a semi-autonomous unit in the Small Business Administration, has set up a task force on continuity which is exploring ways of helping qualified buyers or investors—including employees—to buy a small business after the original owner or manager is no longer involved.

A starting point for a small business tax bill in the next Congress may well be Rep. Smith's measure, which he calls the Small Business Investment Act. Besides his proposal for a more graduated corporate tax, the bill includes:

- A capital gains rollover for owners of small businesses. If the proceeds from the sale of one small firm are re-invested in another within 18 months, capital gains are deferred. Enactment of a rollover provision "would help eliminate the current bias in the tax code that favors mergers which tend to draw capital out of the small business sector," the congressman says.

- New incentive stock options to help small businesses attract highly qualified managers. "A small business may not be able to offer job security or higher salaries, but should be able to offer a share in growth potential," Rep. Smith says.

- A new hybrid security, a small business participating debenture designed to encourage investment in small firms. The SBPD would be issued as a general obligation of a qualified small business and would bear a stated rate of interest and have a fixed maturity date. It also would provide for payment of a share of the company's earnings to the investor. The investor would, therefore, share in the profits, but operating control would remain solely with the company.

Legislative successes for small business in the past year, along with the election of Ronald Reagan and a more business-oriented House and Senate, offer encouragement for the next year. Among bills enacted during 1980:

- The Regulatory Flexibility Act, designed to relieve small business of compliance costs for government rules aimed primarily at large corporations. "General Motors and the corner store were filling out the same detailed 19-page form," says Ivan C. Elmer, director of the U.S. Chamber's Center for Small Business.

- The Equal Access to Justice Act, which states that federal agencies must pay small businesses' legal fees if a court decision in a dispute goes against the government. In the past, paying the fine for an alleged infraction often seemed wiser than contesting the fine by launching a court battle which might be more expensive, win or lose, than the payment.

- The Small Business Investment Incentive Act, which makes it easier for smaller firms to issue stock.

"In no 10-month period has so much legislation been enacted for small business," the SBA's Milton D. Stewart, head of the Office of Advocacy, says. He adds that "small business, as a national concern, has shifted into high."

In the words of Rep. James M. Jeffords (R-Vt.): "What is finally being understood in official Washington is that business, particularly small business, holds the key to revitalizing America's economy."

Evidence of this new understanding is an increase in the desire of House members to serve on the Small Business Committee. Says a committee staff member: "At the beginning of the last Congress, for the first time in many years, we had more members requesting a seat on the committee than we had seats. I expect the same thing will happen in the new Congress." □

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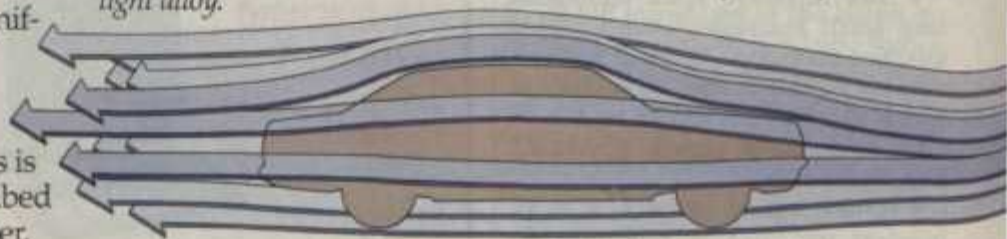
Under the aerodynamics is a new unit body, honeycombed with aluminum and a thinner, lighter, stronger steel. Weight is saved while structural strength is increased.

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normal  
300 SD



Both cars can accelerate faster from zero to 55 mph than their predecessors: less weight, less aerodynamic drag—and a new four-speed torque-converter automatic transmission, programmed for more precise shifting. It also functions smoother than any Mercedes-Benz automatic before.

All this advanced technology is borne over the road with the poise and stability unique to the automobiles of Mercedes-Benz. Glib claims abound, but no maker has yet proven its cars to be more roadworthy.

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Interior layout is a sweep of ergonomically correct design, clean and uncluttered. Amenities have been increased to include a new electric eight-way seat adjustment for driver and front passenger. It is shaped like a seat, operates by

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# Louis Cabot: He Made Room at the Top

By Mary Tuthill

**L**OUIS W. CABOT, chairman of Boston-based Cabot Corporation, grew up with the rhyme about two distinguished families that goes: "Here's to good old Boston, Land of the bean and the cod, Where the Lowells talk only to Cabots, And the Cabots talk only to God." Whether or not there ever was any validity to that characterization, which originated as a toast at a 1905 Harvard University function, it certainly has none where Louis Cabot is concerned.

According to Cabot Corporation employees, Louis, as almost everyone calls him (it's pronounced Louie), speaks to everybody, and one of the things they like best about him is that they feel free to come to him with their ideas and be heard.

In fact, Louis, whose diversified company has annual sales exceeding \$1 billion, is so willing to discuss its operations and plans with headquarters executives and plant managers that his father, Thomas D. Cabot, has been known to chide him. "He thinks we have too many meetings and too many committees and work too hard at participative management," says Louis. "He says, 'Why don't you fellows make more decisions and not talk about it so much?' I just don't agree with that."

In a family as spirited as the Cabots—which goes back to 1700 in Massachusetts, rose to prominence during the Revolution and has produced a stream of leaders in government, trade, industry and the professions—disagreement is to be expected.

Louis Cabot's grandfather, Godfrey, was so disgusted with President Wil-

son's pacifism in 1914 that he ordered an airplane designed and built near his home and had his son, Thomas, learn to fly it. He would do his bit to ready the country for a war in which airpower could play a major role, whether the President recognized the need or not.

"My grandfather was very much a Renaissance man," says Louis. "He believed that a capable human being could have some kind of grasp of everything and be responsible for all kinds of different fields. One area that he was interested in was energy. He predicted 50 years ago that man was going to run out of oil and gas—fossil fuels—and that solar energy was going to be the thing we needed to work at. And he gave money to Harvard and Massachusetts Institute of Technology to set up solar energy projects."

In 1882, Godfrey and his brother Samuel built a carbon black plant at Buffalo Mills, Pa. At the time, carbon black, made by impinging a gas flame against steel, was mostly used in printer's ink. It was not until the World War I discovery that carbon black had remarkable properties for reinforcing rubber products that the carbon black industry underwent major growth.

Godfrey encouraged interest in science in his children, and son Thomas graduated with honors from Harvard with a degree in engineering sciences. Then Thomas, with his bride, was sent to check gas lines, wells and meters on gas properties Godfrey's company owned in West Virginia.

It is not a Cabot family tradition to start family members at the top, and most of the gas line inspections were done on foot, although Thomas eventually started covering the hilly country

on horseback. By the time Louis joined Cabot Corporation, much had changed, but the philosophy of learning the business from the ground up remained.

The company had expanded to include numerous carbon black plants, gas properties and oil properties, and it had formed Cabot Shops, Inc., which made oil drilling rigs. When Louis graduated from Harvard with highest honors, majoring in engineering and applied physics, he was sent to work at a carbon black plant in Texas.

"It was quite obviously a training job," he says. "Then I was sent to England, where, all of a sudden, I had total responsibility because we didn't have anybody in England except one other fellow, an engineer who went with me. When I went over there, we started a whole new business and a whole new company in a new country."

**A** CARBON BLACK plant was built at Ellesmere Port, near Chester. "It was a great opportunity, a wonderful experience," says Louis. "I had a chance to do something early on and do it well and have it come out right. And it did. It was fun. It was satisfying. Sure, it was difficult, but not any more difficult than almost everything you do if you do it well."

It is not in the Cabot tradition to do things any other way.

Striving and accomplishment are part of the family tradition in play as well as work. Thomas Cabot had Louis and his two younger brothers skiing, sailing, canoeing, camping and climbing with the family at an early age, and if an ankle injured in a moped accident last spring heals in time, Louis,

Louis Cabot, here in a Harvard corridor, is active in higher-education causes.



who is 59, will be back on the ski slopes before this winter is over.

As Cabot Corporation grew and diversified into such carbon black-related areas as paint and fumed silica, Louis rose within the company. During much of this time, Godfrey Cabot, who lived to be 101, played a very active part in company affairs. It was not until he was 92—in 1952—that he reluctantly turned over the helm to son Thomas. So Louis had reason to wonder how much control he would have and how soon, but he didn't waste any time worrying about it.

"My father and I had all of our fights while I was still an adolescent," he recalls. "And, my God, did we fight! I think we got that out of our systems, and by the time I was home from the war [he was an aeronautical engineer in the Navy] we had a good understanding about everything. So I knew what he thought and how he was going to play it most of the time."

**T**HOMAS turned over the helm to Louis in 1960. "He felt there was an appropriate moment when he should step aside, not hang on the way his father had," says Louis. "He could see the dangers of that and, bless his heart, he really did it, though he remained as chairman for a while after I became president."

As the company's president, one of Louis' first moves was to turn to its research and development organization, which originally was created to make it the leader in the carbon black indus-

try, to get ideas on diversification. "Cabot Corporation was No. 1 in carbon black," he says. "But that was just carbon black and some related products. We had a strong incentive to diversify because the company had grown to a size where, as pretty much a single-product company, it was just too vulnerable. There were too many clouds on the carbon black industry's horizon for Cabot Corporation not to be diversified."

Today production of specialty metals is the biggest part of the company's business. They include heat- and corrosive-resistant alloys, used in chemical processing and environmental systems, and refractory metals and beryllium-copper, used by the electronics industry.

"The history of my career with this company," says Louis Cabot, "has been one of taking it from what was a family-managed, family-owned private company through the stages of going public, selling some stock to the public, broadening the board of directors, becoming listed on the New York Stock Exchange, getting market acceptance for our stock and dealing with the nepotism problem so that the outside world perceived us as a company that was just as good a place to work in as if it didn't have a family name associated with it."

"I think one of the major breakthroughs was when we proved to the world that the president of this company didn't have to be a Cabot."

While the Cabot Corporation had a

tradition of home-growing its management, Louis had brought in a few managers from outside for functions he thought could stand improvement. Some of the recruits didn't make the grade.

"Eventually, I came to the conclusion that if I wanted to get a really first-class person with a clearly identifiable track record, I ought to be offering the presidency and not some lesser job," Louis says. "We needed to bring in some more experienced horsepower at several different levels, but we particularly needed it at the top level."

None of his grown children from his first marriage have been associated with the business, but if they had, he says, it would have made no difference. "Nepotism is a problem, not an opportunity," he says. "In order to run a successful business of this size and scope in this competitive world, you need the best team that you can put together."

**H**AVING MADE the tough decision to go outside the company for a president, the next hurdle was trying to get the rest of the organization to go along with it. Says Louis: "I also had to decide that I wasn't going to let my colleagues talk me out of it."

A systematic search with the help of an executive recruiting organization brought Robert Charpie, a trained physicist, on board as president in 1969.

Louis Cabot had two things at the top of his priority list for Charpie to tackle: making planning a central part of management, instead of a staff function done on the side, and upgrading the company's technological level by bringing in more good scientific and technological people. Both goals have been reached, Louis says.

Also reached has been his diversification goal. The company now has a broad enough base—chemicals, energy and metals—so that it wouldn't be too severely affected by one set of adverse outside events, he says.

Cabot Corporation, which has 8,500 employees in plants and other operations throughout the U.S. and in various parts of the world, realized 34 percent of its 1979 sales from chemicals—production of carbon black and fumed silica; 21 percent from oil and gas production, and 45 percent from its engineered products group—principally, specialty metals.

Both revenues (\$1.12 billion) and net income (\$70 million) were more than four times what they were in 1970.

Is Cabot Corporation done with di-



Cabot's wife, Maryellen, shares his interest in good corporate citizenship. She is on the board of the philanthropic Cabot Corporation Foundation.



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versifying? "To say we would never add another category would not be correct," Louis asserts. "We're still opportunists and ambitious to grow and to excel, so from time to time, as other ideas come along, one might jell into something. We don't have the same kind of separate new-projects organization we once had, and yet we have made more acquisitions in the last five years than we ever made before."

While this active pursuit of profit has characterized the corporation from its beginnings as Godfrey L. Cabot, Inc., it has always been accompanied by a responsible interest in how the business affects the community in which it is operating. Says Louis: "Father and grandfather both had an enormous sense of right and wrong and of doing things in a responsible way." And, says Walter F. Greeley, vice president, general counsel and secretary of Cabot Corporation: "Louis wants Cabot to be the best example of a good corporate citizen."

Toward that goal, a public affairs department was established, and Kenneth A. Loftman, a 30-year employee in the company's research and development operation, was named manager of community relations. The department is conducting studies to determine how Cabot can best serve the communities in which its plants are located.

**C**ABOT PHILANTHROPY goes far beyond business-related interests. Godfrey Cabot's gift of stock in the company to Harvard and Massachusetts Institute of Technology, as an alumnus of both, was a beginning. Both schools have held on to the stock, which has helped them to prosper along with Cabot Corporation. "MIT is the biggest stockholder this company has," says Louis. "We are also the biggest holding that MIT has."

Then there is the Cabot Corporation Foundation, "historically run by my father, and in the last couple of years, by me," he says. Louis has tried to involve more of his management staff in the foundation's decision making on



A once-private public company is overseen from this office.

what the foundation does and how much money it should allocate to various things, such as hospitals and other community services.

In addition to the Cabot Corporation Foundation, there is the Cabot Family Trust, which was set up many years ago by grandfather Godfrey. "My father has been interested in allocating the trust's funds to things that he thinks are worthwhile, and I also have had a major hand in that," Louis says. The trust's objectives are slightly different from those of the foundation. "The Cabot trust supports things that we want to do as a family, whether or not they are relevant to the company," Louis says. "We're emphasizing more and more that we want the corporation's foundation to supplement our community relations activities."

Along with these family and corporate activities, Louis Cabot has become very much involved in higher education. He was chairman of the Alfred P. Sloan Foundation's Sloan Commission on Government and Higher Education, which published a 309-page report this year.

"I have a deep belief that the uniqueness of American society is created and preserved by having great, independent private universities," he says, "although there is some contro-

versy over that. Some businessmen think that the attacks on business are being led by the intellectuals in the universities."

"I don't deny there is some of that, but we should make sure that the universities are independent, that a diversity of philosophy, research, knowledge and scholarship is fostered. I think that is the strongest assurance for keeping a free society we can have—that plus having a good free market economic system, which I also believe in."

Working for academic and economic freedom, he says, "is my own special way of doing my thing to try to keep our system."

Louis Cabot's wife, Maryellen, shares his interest in helping the community and is on the board of the Cabot Foundation. Whether they are working together on founda-

tion business or are at home, the Cabot preference for a democratic approach to problems seems to prevail.

"I have a stepson who, when he became my stepson, was 4 years old," says the chairman of Cabot Corporation. "One of the first things that had to be decided was what he was going to call me."

"It involved much discussion because it didn't just affect him, but three other children as well, and the final decision was that they were going to call me by my first name."

**T**HIS HAS resulted in a most unorthodox situation in the very formal Beacon Hill section of Boston where the Cabots live. Says Louis: "I'm probably a little older than most of my neighbors and haven't lived very long in the neighborhood, so most of them call me Mr. Cabot. But Michael, the youngest, and his little pals all call me Louis."

He chuckles and adds: "So, when I'm walking home down Chestnut Street, the children run to greet me with 'Hello, Louis,' and their parents, who may be just a few steps behind them, greet me as Mr. Cabot." □



To order reprints of this article, see page 55.



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**AN IMPORTANT  
STEP AHEAD**



# TOYS

## BIG AT CHRISTMAS, BUT YEAR-ROUND, TOO

**A** WASHINGTON BACHELOR, after looking over some of those absorbing electronic games that you can play by yourself if you have a mind to, told a group of friends:

"I think I'll stop looking for a wife and buy a game. It would be a lot cheaper."

Electronic games, a new phenomenon, could be a problem for mate-seekers, but they certainly are no misfortune for the toy makers. Burgeoning electronic-game sales are making a significant contribution to the industry.

The games also are contributing to a trend toward year-round toy buying. Christmas is in no danger of losing first place as the season for toys—the industry still sees 60 percent of its sales at the Yuletide. But Douglas Thomson, president of the Toy Manufacturers of America, Inc., says that the

popularity of electronic games and stuffed toys has boosted sales throughout the year.

The New York-based association, which represents 230 companies with about 90 percent of the toy and game market, says the increase in sales outside the Christmas season is probably an important factor in the industry's 12 percent growth—in real terms—in the past year, resulting in more than \$5 billion in retail sales.

"Our research shows that the market we've penetrated most heavily so far with our electronic games

is comprised of people between the ages of 15 and 25," says a spokesman for the Milton Bradley Company, one of America's oldest toy manufacturers. "We've never sold games to these people before. Our previous market was kids aged 8 to 14." He adds: "To know that one third of your market is new-found is exciting."

He says he has also found that more electronic games are self-purchases than gifts, which he considers another key to their success. "The 18-to-25-year-old doesn't wait until it's Christmas or his birthday. He'll put money



Electronic games, including those used with television sets, and licensed toy items are among the top sellers this year.



down on the counter at any time of the year and buy that game."

The newness of the electronic games makes them a stellar attraction for some types of gift-giving, though. "They are very popular for housewarming gifts," says Thomson. "They are still new enough that people feel it is a pretty safe bet that the household doesn't already have one."

New technology is expanding the variety of games available. "In 1980 the technology in electronics involves speech," says John W. O'Donnell, executive vice president of Milton Bradley. "We have one called Milton that has 18 three-word phrases that the machine speaks when various keys are punched. It is a concentration game that can

be played with one to four people."

A young lawyer says he bought a computer chess game for his father, who is retired and in poor health. "He often doesn't sleep well and frequently doesn't feel up to going out," the son says. "This way, he can play chess anytime he wants to without having to wait until someone is ready to play with him."

Because they can be played solo, computer games are particularly popular gifts for young children. In the ever-increasing two-career family, parents often have difficulty arranging schedules so that children can get together with playmates. The fact that games are computerized does not necessarily make them complicated to play, and they can involve elementary spelling or arithmetic as well as such sophisticated concepts as chess.

All the action is not confined to electronics. Board and action games are enjoying growth, too. Manufacturers and retailers alike attribute much of this to the high cost of gasoline

and increased costs of most forms of entertainment. As one manufacturer puts it: "It's a heck of a lot cheaper to buy a board game and sit home for the evening than to take the whole family to the movies."

The old familiar staples such as Monopoly, Risk, Aggravation and Scrabble are moving well. "Parents would definitely buy a game for their child that they enjoyed themselves," says a spokesman for Circus World, a large retailer of toys. "It's not so much for nostalgia, but acceptance of a good game."

And MasterMind, UNO, Othello and Boggle are rapidly establishing themselves as big sellers. One of the surprises in the industry has been the leap to popularity of UNO, an inexpensive card game which can be played with two to 10 participants. The manufacturer, International Games, expects to sell more than 10 million sets of UNO in 1980, making it the largest-selling card game.

Word-of-mouth advertising is very



A complicated computer (left) makes for a simple game.





Parents, a child's first playmates, often enjoy a game as much as the child does.

PHOTO: GAIL WILSON-BLACK STAR



Christmas still accounts for 60 percent of toy sales, despite a year-round trend.

important. People who enjoy a game tell their friends about it. So, says Thomson, a lot of research and development goes into producing new games. "Nobody wants to introduce a game with flaws into a family," he says. "It will be doomed to failure by turning off several age levels of potential buyers."

Many consumers look for educational value when buying games. This has increased sales of games with titles such as *Ungame*, *Social Security*, *Roll-A-Role* and *Credit Ability*. "You're learning, but you don't know it," says Patrick M. Hagerty, president of MPH Games Company, which produces three educational games, the best-known of which is *Krypto*. In defining educational games, he uses three criteria. "First," he says, "we look for play value; next, fun—it absolutely has to be challenging and competitive, and finally, the educational slant. Fun is very important. If you can't have fun, why do it?"

Sales of adventure games are also growing and are expected to reach \$22 million to \$24 million this year. Included in this category are fantasy role-play games, such as *Dungeons & Dragons*, and war games, like *Diplomacy* and *Third Reich*, where players take the roles of real people or figures from fantasy. Some stores set aside play space for fantasy games on weekends because it helps get the word out as to where people can buy the games.

Senior citizens comprise a market for games which has only recently been discovered, says Thomson. "Older people who gather together in such places as senior citizens centers, who socialize together and travel together, are taking a renewed look at some of the traditional games," he says. "Jigsaw puzzles are very popular with the elderly." Sales of jigsaw puzzles have more than doubled since 1976 and are expected to reach \$42 million at the retail level this year.

Like the fashion industry, the toy industry is volatile and subject to fads which may fade as quickly as they develop. Recently, such movies as "Star



Wars," "The Empire Strikes Back" and "The Muppet Movie" have had a big influence. They have resulted in more sales than ever before of licensed merchandise based on fictional or real-world figures.

*Toy & Hobby World*, a trade publication, says: "Perhaps no other marketing trend—besides the electronics bonanza—has contributed as much to toy retailing in recent years as the constantly expanding universe of licensing. Comic book heroes, humorous cartoon characters, television tie-ins, movies and movie stars, sports, popular music attractions and storybook characters, as well as specially created characters, are all contributing to the year-round sales of licensed merchandise in toy departments."

Ever since Walt Disney introduced Mickey Mouse in the 1930s, humorous cartoon and comic strip characters have been a staple in the licensing field. These have been joined by a long string of others, including *Jaws* and *Miss Piggy*. And they don't just hang around in nurseries and playrooms; many of them go off to college with their owners.

Other toys, such as dolls, wagons, stuffed animals and toy trucks, have a longer history, but are still selling well today. The late 19th century was a golden age of the mechanical toy—intricate penny banks, steam-driven vehicles, walking and talking dolls, and the electric train. And in 1902 the teddy bear was born to commemorate a hunting-trip incident in which President Theodore Roosevelt tracked a bear, but didn't kill it when he saw it was a cub. Another old favor-

ite, Raggedy Ann, was introduced in 1918. Even Barbie, the queen of America's fashion-doll world, is now 21 years old.

These toys, too, have undergone changes. Metal and rubber have largely been replaced by plastic; dune bug-

bage, a horse that gave birth, an anatomically correct baby boy and a doll named Gay Bob. All were quickly taken off the market because they didn't gain the consumer acceptance necessary for success.

Consumers also have had an influence on the way toys are displayed. Most retailers have abandoned the traditional labels of boys' toys and girls' toys in their displays. Some say the terms are becoming obsolete because most toys, with the exception of dolls and guns, appeal to both sexes. Others say they don't want to run into problems with consumer groups. Toys often are displayed now under descriptive categories such as preschool, riding, games and construction.

This year, in anticipation of the peak Christmas season, many stores have ordered 10 or 20 percent more toys than they ordered last year. Carlton Knott, manager of five Toy World stores in Dallas, says: "My gut feeling is that parents aren't going to let stockings go empty this year." Some other retailers are less optimistic, though, and O'Donnell of Milton

Bradley says that "the consumer will be very selective and will stick with name brands and quality manufacturers."

As for electronic games, the number of adults who come in to play with them in stores during lunch breaks has led retailers to predict that adults will be buying even more of them for themselves. □

PHOTO: DOUG WILSON—BLACK STAR



Boys' and girls' toys have given way to groupings based on toys' use.

gies and spaceships have joined toy cars, and a whole string of male dolls from Ken, Barbie's original male counterpart, to space heroes have joined Barbie. "We follow the cultural trends," says Thomson.

A misreading of those trends can spell disaster for a toy. Some recent offerings which proved to have a very small market were a goat that ate gar-



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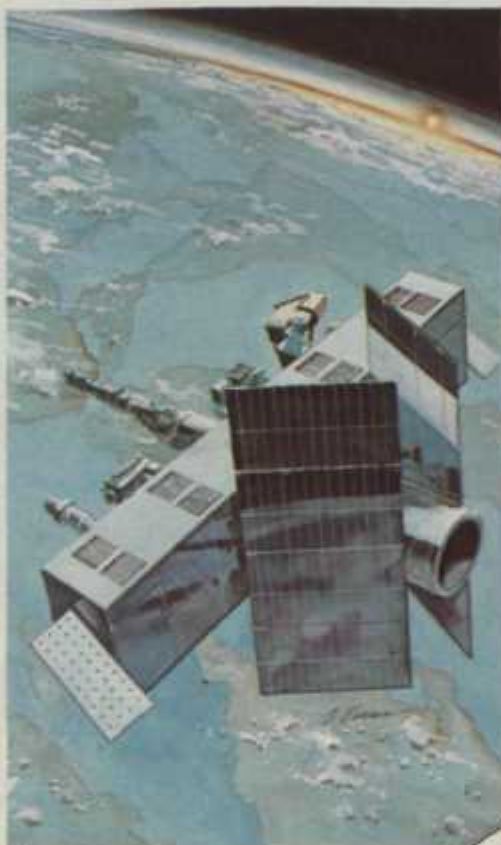


# Measuring Pollutants

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According to Principal Investigator Dr. James M. Russell III, better data, provided by HALOE and other experiments, will help make it possible to determine what can be done

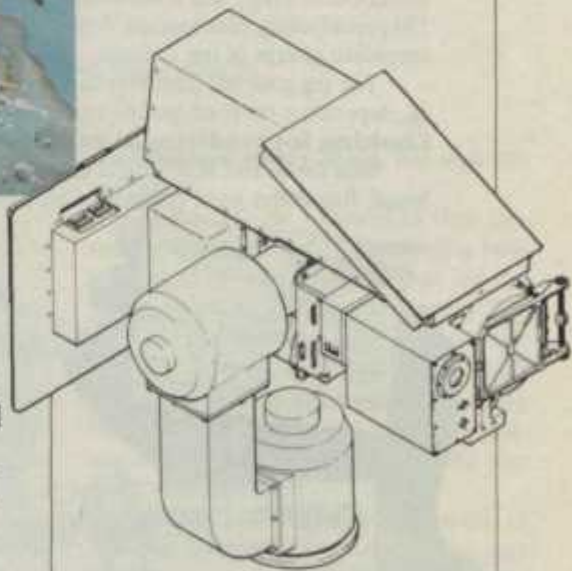


to prevent depletion of the ozone layer.

A brassboard of the HALOE instrument, built by TRW, has already been successfully tested aboard a NASA/Ames aircraft. The flight instruments will be orbited on Spacelab 3 and the Earth Radiation Budget Satellite. They will measure the concentration of a number of gases in the upper atmosphere by correlating their effects on solar radiation with the absorption of that radiation by gas filters contained

in the instrument.

TRW has developed more than 200 space instruments. They have made atmospheric measurements at Mars, Venus, Jupiter, and Earth, and will reach Saturn next year aboard NASA's Voyager spacecraft. This unusual breadth of experience is extremely useful in the work we are now doing to help NASA study Earth's environmental problems.



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## How To Survive

# BURN OUT

By Dr. Herbert J. Freudenberger With Geraldine Richelson

*For many business people, life has lost its meaning. Work has become mere drudgery, off-hours are spent in a miasma of dullness. A new book gives the prescription of Herbert J. Freudenberger, Ph.D., veteran psychoanalyst and current president of the American Psychological Association's psychotherapy division, for getting out of these doldrums. This is an excerpt from the book *Burn-Out: The High Cost of High Achievement*, written by Dr. Freudenberger and free-lance author Geraldine Richelson.*

**H**AVE YOU ever awakened in the morning unable to sleep any longer and equally unable to get out of bed? You lie there for a few minutes, trying to remember why you woke up in the first place, what it was you were supposed to do.

"Ah yes," you think, "work. I have to go to work. But wait, maybe I don't have to go today. Maybe I can call in sick."

Then, one by one, you count off the urgencies ... the appointment at 10, the report you promised, the meeting at 2. You throw back the covers. The day has begun.

You hope, as you jump into the shower, that the splashing water will wash the heaviness away, and your old vital, energetic self will emerge. What leaves the house instead is a grim, unsmiling figure, a little bent, a little tired, lips and shoulders set against the irritations of the day ahead.

And for that figure, the day *will* be irritating. There will be too much work, too many interruptions, too many details, too few rewards. The day will be marked by fatigue and tension. And even the ending of working hours will bring no moment of exhilaration, because the trouble is not just work. Family, friends and social situations

have become weary, stale, flat and unprofitable.

If you recognize yourself in that picture, you are probably wondering how you got that way. Where's that old dynamic you who used to start every day with enthusiasm and vigor? Why is the life you embarked on with such high expectations letting you down at every turn? Why does it seem you have gotten what you wanted only to find you don't want it?

Take heart. There are answers to those questions. And chances are, you don't have to spend years searching back through all the stages of your life to find them. They may be more readily available than you have been led to believe.

More than likely, if you have been functioning well in the past and have seen yourself progress from one level of development to the next, you are not suffering from some deep-rooted psychological problem. You may not need



to dig for traumas and other significant events of long ago to explain your decreasing ability to function or to care. That nameless malaise, with its physical symptoms, its feelings of depression, anger and weariness may be a developing case of burn-out... a demon born of the society and times we live in and our ongoing struggle to invest our lives with meaning.

**H**ISTORICALLY, the American dream has been to rise above what one's parents were; to work hard, even play hard; to achieve excellence, which would in turn lead to material comfort, community respect, position, prestige, compliments, security, status. This has been the American dream both for the people and for the nation. In short order, the United States formed itself, sprawled, grew, invented, discovered, industrialized and surpassed every society of history in wealth, material goods and self-esteem. We enjoyed more prestige and envy than any other nation. The goal of the world was to come to America to find gold in the streets and freedom in the air.

Why, then, with all these goals and visible rewards, which we as Americans have accepted so unquestioningly, has the result been a singular lack of satisfaction? Why are so many of our best and our brightest beginning to feel empty and unfulfilled? Why does it seem there must always be more accomplishment, more achievement, more effort? Why do we seem, both collectively and individually, to be in the throes of a fast-spreading phenomenon—burn-out?

Many men and women who come to me for professional help report that life seems to have lost its meaning. Their enthusiasm is gone. They feel uninvolved, even in the midst of family and friends. Their jobs, which used to mean so much, have become drudgery with no associated feeling of reward.

**U**SUALLY, these people have been most reluctant to seek help. They are accomplishers and doers who have no room in their philosophies for what they consider weakness. All their lives, they have undertaken tough jobs and prided themselves on their ability to master situations. Whether it was a bad marriage, a difficult child, an exhausting job situation or economic reverses, they would find a way. They had enough determination and willpower to lick anything.

Now, however, no matter how great

their efforts, the only result seems to be frustration. Some vital spark inside these men and women is burning out, leaving a terrible void.

In everyday language, especially when it's applied to mechanical objects, burn-out is a very common term. If we are working in the backyard with a power saw, and it suddenly gives off a burst of sparks and stops running, we realize the motor has burned out. Same thing when a light bulb goes "poof" and leaves us in the dark. We know precisely what has happened.

Unfortunately, however, when good old reliable Paul suddenly tells the client to shove off, or June, a successful career woman, starts coming back from lunch a little tipsy, we don't really know what's going on. We are not

familiar with the concept of burn-out in human beings, so we look elsewhere for answers. If we are personally affected by the erratic behavior, we react with anger or hurt feelings, punishment or withdrawal. We may decide the person is a "goof-off," an ingrate, an eccentric or someone who has lost what he once had. On the other hand, if we are the ones who are erupting, we will quickly assign the blame to something or someone outside ourselves. Our self-perception does not allow us to consider that what is going wrong may be a function of factors within ourselves.

A person who is burning out is not, on the surface, a very sympathetic figure. He or she may be cranky, critical, angry, rigid, resistant to suggestions

## Are You Burning Out?

Look back over the past six months. Have you been noticing changes in yourself or in the world around you? Think of the office... the family... social situations. Allow about 30 seconds for each answer. Then assign it a number from 1 (for no or little change) to 5 (for a great deal of change) to designate the degree of change you perceive.

1. Do you tire more easily? Feel fatigued rather than energetic?
2. Are people annoying you by telling you, "You don't look so good lately"?
3. Are you working harder and harder and accomplishing less and less?
4. Are you increasingly cynical and disenchanted?
5. Are you often invaded by a sadness you can't explain?
6. Are you forgetting appointments, deadlines, personal possessions?
7. Are you increasingly irritable? More short-tempered? More disappointed in the people around you?
8. Are you seeing close friends and family members less frequently?
9. Are you too busy to do even routine things like making phone calls, reading reports or sending out Christmas cards?

10. Are you suffering from physical complaints (aches, pains, headaches, a lingering cold)?

11. Do you feel disoriented when the activity of the day comes to a halt?

12. Is joy elusive?

13. Are you unable to laugh at a joke about yourself?

14. Does sex seem like more trouble than it's worth?

15. Do you have very little to say to people?

Very roughly, now, place yourself on the burn-out scale below. Keep in mind that this is merely an approximation of where you are, useful as a guide on your way to a more satisfying life. Don't let a high total alarm you, but pay attention to it. Burn-out is reversible, no matter how far along it is. The higher number signifies that the sooner you start being kinder to yourself, the better.

### The scale:

- |         |  |
|---------|--|
| 0-25    | You're doing fine.   |
| 26-35   | There are things you should be watching.   |
| 36-50   | You're a candidate.  |
| 51-65   | You are burning out.   |
| Over 65 | You're in a dangerous place, threatening to your physical and mental well-being. |



and given to behavior patterns that turn people off. Unless we are able to probe beneath the surface and see that the person is really suffering, our tendency will be to turn away.

Burn-out, however, is not a condition that gets better by being ignored. Nor is it any kind of disgrace. On the contrary, it's a problem born of good intentions. The people who fall prey to it are, for the most part, decent individuals who have striven hard to reach a goal. Their schedules are busy, and whatever the project or job, they can be counted on to do more than their share. They usually are the leaders among us who have never been able to admit to limitations. They are burning out because they have pushed themselves too hard for too long. They started out with great expectations and refused to compromise along the way.

I have never met a burn-out who didn't start with some ideal in mind. Perhaps it was a marriage that was going to be like the marriages in the storybooks. Or children who were going to be the family jewels. The list is endless. A talent. A cause. A position in the community. Money. Power. A meteoric career. Whatever. A burn-out experience usually has its roots in the area of a person's life that seemed to hold the most promise.

**O**FTEN, burn-out is the consequence of a work situation in which the person gets the feeling he's batting his head against the wall day after day, year after year. The helping professions are a good example. Many idealistic students who want to do something for the world become doctors, nurses, lawyers, social workers, policemen, teachers, counselors or politicians. They hope to have an impact on the lives they deal with. They envision making people well again, improving world conditions or making lives productive.

Unfortunately, the helping professions get to see a lot of failure and misery. Doctors and nurses see their patients suffer and die. Teachers face overcrowded classrooms and students with a disdain for learning. Social workers battle against the overwhelming odds of poverty and hopelessness. The people they are trying to help are likely to have surrounded themselves with impenetrable walls.

The disappointments mount up until eventually the helpers build walls of their own. Since it hurts too much to care, they tend to anesthetize their feelings and go about their daily rou-

tines in a more mechanical and cut-off way. They are still conscientious and hardworking, but they no longer are functioning as whole human beings. In a slow, corrosive process, they remove a vital part of themselves. What happens is similar to what happens in a car that's running on only two cylinders—the cylinders that continue to function have to do a lot of compensating. After a while, the strain becomes too great, and something has to give. In the car, that something may be critical parts of the engine. In a person, it is usually other areas of his life.

**A**BURN-OUT is someone in a state of fatigue or frustration brought about by devotion to a cause, way of life or relationship that failed to produce the expected reward. Stated another way: Whenever the expectation level is dramatically opposed to reality and the person persists in trying to reach that expectation, trouble is on the way. Deep inside, friction is building up, the inevitable result of which will be a depletion of the individual's resources, an attrition of his vitality, energy and ability to function.

How does burn-out begin? In a word, slowly. No matter how suddenly it seems to erupt, burn-out is a chronic condition, something a person has been working toward over a period of weeks, months, even years. Although we may be startled by the sudden flare-up that seems to come without warning, that flare-up was long on its way.

There are circumstances, such as pressure to get a project done, an illness of a family member or moving one's home, where a short-time-span burn-out occurs. Otherwise, burn-out is seldom acute. Often, we don't notice it in its early stages because most burn-outs are competent, self-sufficient men or women who hide their weaknesses well.

**T**HE WORLD we live in can play an important role in the burn-out phenomenon. Society doesn't change quickly. It lumbers along, shifting course from time to time, improving in some ways, worsening in others. Every age sees doomsday around the corner, but somehow the planet goes on spinning. As concerned citizens, we have a responsibility to see that it does, but as the world becomes more complex and the electronic media rush us barrages of dismal news, we feel less capable of making a difference.

Our tendency is to give up trying

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and let them take care of it. Yet if we do that, we're a cinch to slip into hopelessness and burn-out. To maintain our sense of being more than ciphers, we must continue to do what we can, no matter how tiny it seems.

At the same time, we must guard against the other extreme of expecting overnight miracles. That, too, can lead us to disappointment, because when we expect too much, disappointment is always in the wings.

So, on the one hand, we can't become ostriches. Unpleasantness and danger don't disappear just because we have buried our heads. No, that's denial taken to its ultimate level, and that kind of denial never works. On the other hand, we can't increase our frustration by looking to idealistic visions. What we must do is strike some middle ground.

If we want to secure more fulfilling lives for ourselves against the background of the world we live in, we must correct the balance between ourselves and society. We must make ourselves stronger. We must erect deterrents to burn-out. Only in that way can we accommodate to the realities and roll with the punches, not being so cowed by the bad that we can't appreciate the good.

ONE OF THE ways we can strengthen ourselves is by learning to acknowledge that the world is the way it is and accepting that fact as one of the conditions we have to live with. We can't despair over it, dwell on the pity of it or agitate about it. None of those will do the world any good, and they will generate such pessimism inside us that we'll be stifled in our personal endeavors. "That that is, is," as Shakespeare said in "Twelfth Night."

Once we have come to terms with the nature of the world, we can make reasonable estimates about where our contributions ought to lie, and we can get on with the business of refocusing ourselves. Those, at least, are feasible tasks and ones which will produce visible results in short order.

The biggest single gift we can give ourselves during our lifetime doesn't come in a pretty box or fancy wrappings. It doesn't cost a lot of money, and it may never impress the neighbors. It's a quiet, readily-available commodity known as self-awareness, and while it can't be acquired without an expenditure of time and effort, it will pay off in handsome dividends.

To succeed in averting a burn-out,

it's imperative that you monitor yourself. Only you know when it's time for you to stop driving yourself. Only you can tell when your resources and abilities are depleted. You are the best judge of the gap between your wish to do and the energy you have available for the doing. You owe it to yourself to keep tabs.

TAKE A FEW minutes now to review the causes of burn-out and check yourself out against them. Here, too, you know best how they relate to you, so go over them carefully, reflecting on each for a few seconds. I'm putting them in the form of questions so they can serve you better as a spur to probing, but keep in mind they are attitudes that produce burn-out.

- Do you feel yourself under pressure to succeed all the time?
- Do you need to generate excitement again and again to keep from feeling bored?
- Is one area of your life disproportionately important to you?
- Do you feel a lack of intimacy with the people around you?
- Are you unable to relax?
- Are you inflexible once you have taken a stand on something?
- Do you identify so closely with your activities that if they fall apart, you do too?
- Are you always worried about preserving your image?
- Are you taking yourself too seriously?
- Are your goals unclear, shifting back and forth between long-range and immediate?

Once you have thought about the questions, ask yourself if this is how you want to be. Is it how you started out being? If not, when did things change? Are you in charge of your life? Or has it taken charge of you? By fostering this kind of awareness, you will eventually get in touch with that real you that you have become so estranged from.

At that point, you will be able to start rethinking your objectives and reshaping your patterns. You will begin to differentiate between your authentic goals and the ones foisted upon you by the expectations of others. □

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by Dr. Richard L. Leshner

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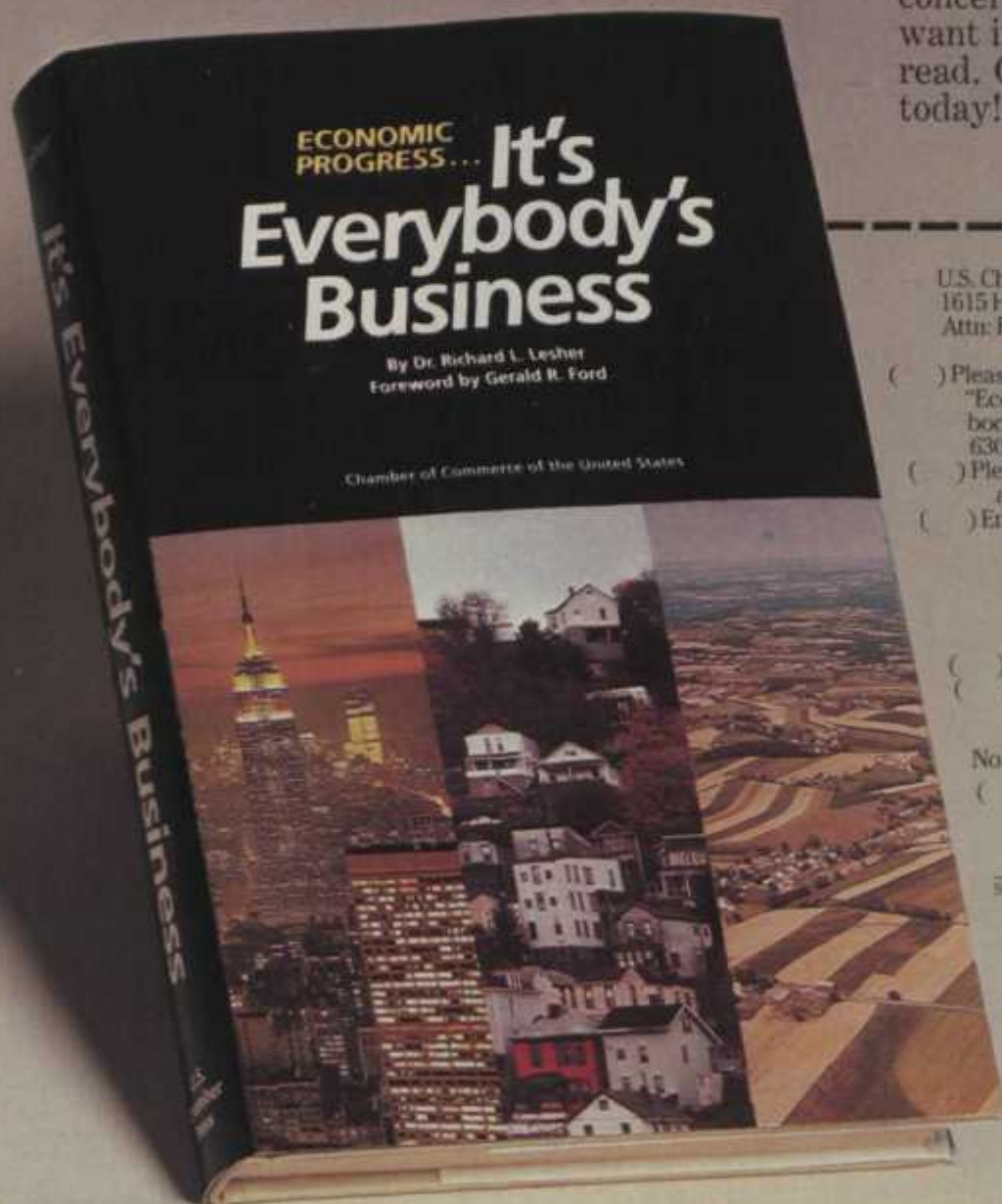
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TROUBLE AT THE  
CHECKOUT STANDS

# Coming—

**W**ith consumers facing steadily—and significantly—higher prices in the grocery store next year, food processors and distributors are worried about being made the scapegoat for the nation's economic woes.

"We're going to be the next 'energy'," predicts George Koch, president of the Grocery Manufacturers of America, Inc. "We're going to be on stage, front and center. The oil companies will get a little bit of rest."

Koch is convinced that public and congressional anger will turn on the processing and distributing industry if food consistently leads the nation's inflation factors and rises faster than the consumer price index.

Robert O. Aders, Koch's counterpart at the Food Marketing Institute, which represents most of America's supermarket chains, is cautious about making such a prediction. But he is concerned, and FMI has established an aggressive program to educate consumers, industry employees and politicians about why

BOB GATTY is a Washington-based freelance journalist.



Meat will lead the food price parade.



# Focus on Food Prices

By Bob Gatty

food prices are climbing as much as they are. "Expect the worst and get ready for it," Aders says. "That has to be our position."

Says Koch: "As food prices rise, we have to ensure that an accurate picture of our industry is painted and that the reasons are explained—so our companies are not blamed for higher prices, as has been the case with the



energy companies. Let's not get Exx-  
oned."

According to U.S. Agriculture Department forecasts issued in October, retail food prices may rise as much as 10 to 15 percent next year, continuing an upward trend that began during the summer. The first six months of 1980 saw food prices increase at an annual rate of 5.9 percent. More recently the rate has been 13 percent.

Dennis Steadman, an agricultural specialist with Chase Econometrics in Bala Cynwyd, Pa., says he expects the

1981 increase to be about 12 percent.

An increase of that magnitude would mean that food could lead the inflation field, causing consumer distress and putting pressure on Congress to show it is trying to "do something." According to Koch, congressional hearings into industry practices would then be likely—despite the changes that have taken place on Capitol Hill as a result of the November election.

"Although we will experience a change in leadership," says Koch, "it is not realistic to believe that the forces of inflation will be stemmed overnight." He expresses hope that the Reagan administration and the new Congress will address the "root causes of inflation" instead of "trying to find corporate culprits."

Industry experts and economists emphasize that food price increases result largely from forces outside the control of the food manufacturer, wholesaler or retailer. And they point to steady strides taken by the industry to become more productive and to adopt innovative marketing techniques to reduce costs.

Andrew J. Schroder, vice president

of public affairs at General Foods Corporation, notes that weather and growing conditions in the U.S. and abroad directly affect retail food prices, as do increases in packaging, labor and energy. Schroder reports the industry's energy costs have increased 47 percent since 1979.

Wages and benefits, which comprise 46.8 percent of the cost of nonfarm supplies and services used in getting food to the consumer, are up 10 percent over the past year, according to Agriculture Department estimates. Transportation is up 15.1 percent, packaging up 16 percent. The overall marketing bill is up 11 percent.

The drought that devastated much of the nation during the summer is to blame for a major portion of the price increases that consumers will experience in 1981.

Koch at the Grocery Manufacturers of America points out that corn production, as a result of the drought, was down 14 percent; soybeans, 19 percent, and sorghum, 33 percent. Thus, prices will rise as supplies diminish, and "it's going to cost a lot more to fatten cattle, so meat will go up," he says.

The abnormal summer heat resulted in the death of millions of chickens, which means that poultry prices will also increase due to short supplies. "Normally," explains Koch, "when beef goes up, chicken offers an alternative for the consumer. This time, it's sort of a double whammy."

In fact, Agriculture Department economist Ralph Parlett predicts that high meat prices will be the major cause of rising food costs during 1981. The heat hurt pig production, and with farrowing lower, the pig crop is expected to be reduced about 10 percent and total pork slaughter, 15 percent. So pork prices will be up, too.

Harvest conditions for sugar have been unfavorable and, in the face of strong worldwide demand, prices are on the rise. The diversion of sugar to gasoline production in Brazil and a blight in Cuba have contributed to reduced supplies, notes economist Paul Reardon of the U.S. Chamber of Com-



Record exports of wheat are ahead.



Scanners are reducing retailers' costs.



merce. All of this means, Agriculture's Parlett says, that sugar prices will show especially large gains, raising the cost of bakery items, ice cream, soft drinks, candy and other products containing sugar.

Wheat stocks were down when the marketing year began, but the record 1980 crop of winter wheat will bring supplies to an all-time high of 3.3 billion bushels, according to the Agriculture Department.

However, another record export season lies ahead; an important factor is a new trading agreement signed with

China for both corn and wheat. And as supplies of corn and wheat tighten, the cost of bread and similar products will continue to go up.

An October 1 increase in milk price supports will help boost dairy prices, and Parlett predicts possible increases in processed vegetable costs to the consumer because low 1979 prices caused farmers to cut back on 1980 vegetable production.

Noting that great profits are not being reaped by any component of the food industry at the consumer's expense, Parlett says that Americans

probably spend less of their income on food than do the citizens of any other nation.

For example, in 1977, the last year for which data are available for most countries, 15.5 percent of total American private expenditures went for food, tobacco and beverages.

By comparison, consumers in Western Europe spent from 25 to 45 percent. In less developed countries, the rate was even higher—as much as 65 percent in India. Soviet consumers spent about 45 percent of their incomes on these items, according to U.S. government estimates.

"It's not going to be a good year for consumers, and the food industry is sympathetic," Koch says. "But it's a fact of life."

Says Aders: "They should not be pointing the finger at us. I'm concerned about the impression being created by saying that we're the 'next energy' and thereby creating a self-fulfilling prophecy."

He argues that government barometers are misleading to some extent, that consumers are better educated today about what causes food prices to increase, and thus that there will be more consumer understanding. He contends that the industry, by offering store brands and lower-priced generic brands on many products, has given consumers more options for saving money.

**I**N FACT, Aders points out, many chains are moving toward "box stores"—discount outlets where frills are cut and products are sold directly from cartons at reduced prices that reflect lower overhead.

One example of this type of retailing: A&P's Plus stores. Other chains are trying the concept, too.

In the Washington area, Safeway has warehouse stores, in which consumers can save up to 35 percent, according to spokesman Ernest G. Moore. Giant Food, a Washington-Baltimore-Richmond chain, has adopted a fancier approach, selling goods directly from cartons and reducing varieties of items offered, but providing more of such services as bakeries, delicatessens and free bagging than do the true warehouse outlets. It is testing this approach in four "hybrid" stores.

The industry also is moving ahead in other ways to keep overhead down and increase production.

More than 2,000 stores across the country have converted to computerized scanning devices at their checkout



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counters. The scanners, introduced in 1974, use the Universal Product Code, an arrangement of bars and spaces marked on the product, to identify item and manufacturer. As the checker moves the coded item across a window in the checkout counter, a beam of light reads the symbol and translates it into a number that is transmitted to a computer, which then looks up the corresponding item and price. The product name and price are flashed onto a screen visible to both the checker and customer. The process is nearly instantaneous.

According to FMI, scanning equipment is one of the industry's brightest hopes for productivity gains during the 1980s, providing faster checkout service and nearly minute-to-minute inventory control.

**M**ANY RETAILERS who have switched to scanners are trying other innovations, too. Donald O. Schnuck, president of Schnuck, Inc., which operates 53 supermarkets in the metropolitan St. Louis and Columbia, Mo., areas and uses scanners in 43 of them, points to a "warehouse special pricing program," based on volume buying and taking advantage of manufacturer allowances.

"We were able to reduce prices on more than 500 national brand items throughout all major grocery categories," Schnuck says, adding that items are flagged at the shelf so the consumer knows which products are the best buys.

"We are very concerned with the inflation picture which the consumer is facing in all aspects of life," Schnuck says.

Safeway's Moore notes that heat recovery systems, as well as computerized power management systems, have been included in his chain's new and remodeled stores in order to cut energy costs.

Other chains also use the heat recovery systems, in which heat emitted by freezers and other electrical equipment warms the store. One retailer in West Virginia managed to get through last winter without ever turning his heater on because of his heat recovery operation.

FMI and the Grocery Manufacturers of America disagree on one development that FMI contends will save transportation costs and thus help reduce food inflation. After a long battle in Congress, a provision was included in trucking reform legislation permit-

## Where All Those Food Dollars Have Gone

(Excluding imports, fish and fish products)

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	Billions of Dollars							
<b>Total Expenditures*</b>	122.2	138.8	154.6	167.0	183.3	192.3	215.7	244.3
<b>Total to Farmers</b>	39.8	51.7	56.4	55.6	58.3	58.0	69.7	80.6
<b>Total Nonfarm</b>	82.4	87.1	98.2	111.4	125.0	134.3	146.0	163.7
<b>Labor</b>	36.6	39.7	44.3	48.7	53.7	58.3	62.2	73.7
<b>Packaging</b>	8.9	9.4	11.8	13.5	14.6	15.2	16.4	18.5
<b>Transportation</b>	6.1	6.4	7.5	8.5	9.1	9.8	10.5	12.2
<b>Profit</b>	4.0	5.4	6.1	7.9	7.9	8.5	9.2	10.1
<b>Other**</b>	26.8	26.2	28.5	32.8	39.7	42.5	47.7	49.2

\* Includes restaurants.

\*\* Includes advertising, rents, depreciation, fuel, electric power, interest on borrowed capital, taxes other than income and other costs.

SOURCE: U.S. DEPARTMENT OF AGRICULTURE

ting a manufacturer to provide a transportation credit to a customer—such as a wholesaler—who picks up his own merchandise. GMA bitterly opposed the provision, saying it would be anticompetitive and harmful to small business.

Robert E. Bradford, executive vice president of FMI, is convinced that victory was achieved for his organization on the "customer pickup" issue because of a substantial grass-roots effort that was carried out by member companies and related industry associations.

That same grass-roots program is helping to educate members of Congress in order to minimize unfair blame for food prices, he says.

**W**E DON'T have 100 percent protection from demagogues—people who will refuse to see what's involved—and there are people we have to turn around," Bradford says. But he believes that, by and large, the industry's efforts will pay off.

FMI has established a television response group to help tell the industry's story in communities throughout the country. Each of FMI's member companies is being given an opportunity to participate. Chain executives—sometimes CEO's, sometimes marketing and public relations people—attend FMI-sponsored seminars on how to deal with television interviewers. When a TV or radio station calls for someone to appear on a program, re-

sponse group members in the area are contacted and one goes on the air to speak for the industry.

In addition, store employees are being kept informed about the causes of inflation in food through a new system of providing ready-to-print news briefs for publication in chain store newsletters.

The first issue, which was put out in September, included easy-to-read articles about food-price increase predictions, competition, labeling and farm production costs.

GMA's Koch, meanwhile, is ready to go on the attack. "When prices get high enough and members of Congress hear from their constituents, they'll come back at us," he says. "There's no way to avoid it."

And if Congress does begin to criticize the industry over food prices? "Our position is going to be very simple," Koch says. "We're going to have to go before Congress and say that it's ironic that we're up here and you're asking us why food prices are high. And we're going to have to tell them about federal overregulation and overspending."

GMA, he says, is ready to tell the government that it should get at these causes of inflation, and then something can be done about food prices.

"Inflation is a cancerous problem, and it's spreading," Koch declares. "And nothing has been done." □



To order reprints of this article, see page 55.



# Your Dollar Is at a Premium

By Roger M. Peirce

A PROMINENT INSURANCE trade publishing firm, the National Underwriter Company, recently sent out a mailer advertising the newest edition of its guide to insurance markets. On the mailer's cover, this ominous teaser appears: "As Storm Clouds Gather Over the Property & Casualty Market..." Unfolded, the advertisement admonishes insurance agents, brokers and buyers: "No one hopes for a return to the tight market situation like the one that existed in the mid-'70s. But if it happens, it's good to know where you can turn for help."

Those storm clouds are not mere illusions dreamed up by some clever ad writer. The image is very real to those who have witnessed the six-year economic cycle which seems inevitably to enslave the property and casualty insurance industry. The cycle occurs with alarming predictability, with a few years of losses followed by a few years of profits, back and forth.

For the insurance buyer, the pattern produces alternating periods of "hard" and "soft" markets. When insurance companies are losing money, the market tightens, weakening the buyer's bargaining power. When bottom line results are recorded in black ink, competition intensifies, and the discriminating buyer enjoys a period of lower premiums and broader coverage.

A quick review of industry history in



A one-two—inflation and recession—has hit insurers.

the past decade illustrates the pattern. In 1971-72, property and casualty insurers staged an astonishing comeback from the losses they suffered in the late '60s. In fact, those bonanza years turned out to be the two most profitable in the industry's history until then. That made underwriters anxious to put more business on the books. So competition intensified, and the inevitable price war ensued. The following year showed the effects of that rate cutting. Profits dwindled—not enough to make 1973 a loser, but way off from the record harvest of the previous two years.

It was well into 1974 before many underwriters would admit that the honeymoon was over. Enormous underwriting losses crossed practically

every line. Inflation fueled expenses and sent claims costs soaring far beyond anyone's expectations. Prolonged stock-market reverses seriously eroded stock and bond portfolios. Year-end results recorded in 1974 were the worst until then, but 1975 was even more disastrous. Over all, underwriters' losses for 1974-75 exceeded \$7 billion—the worst two-year period in the history of the industry.

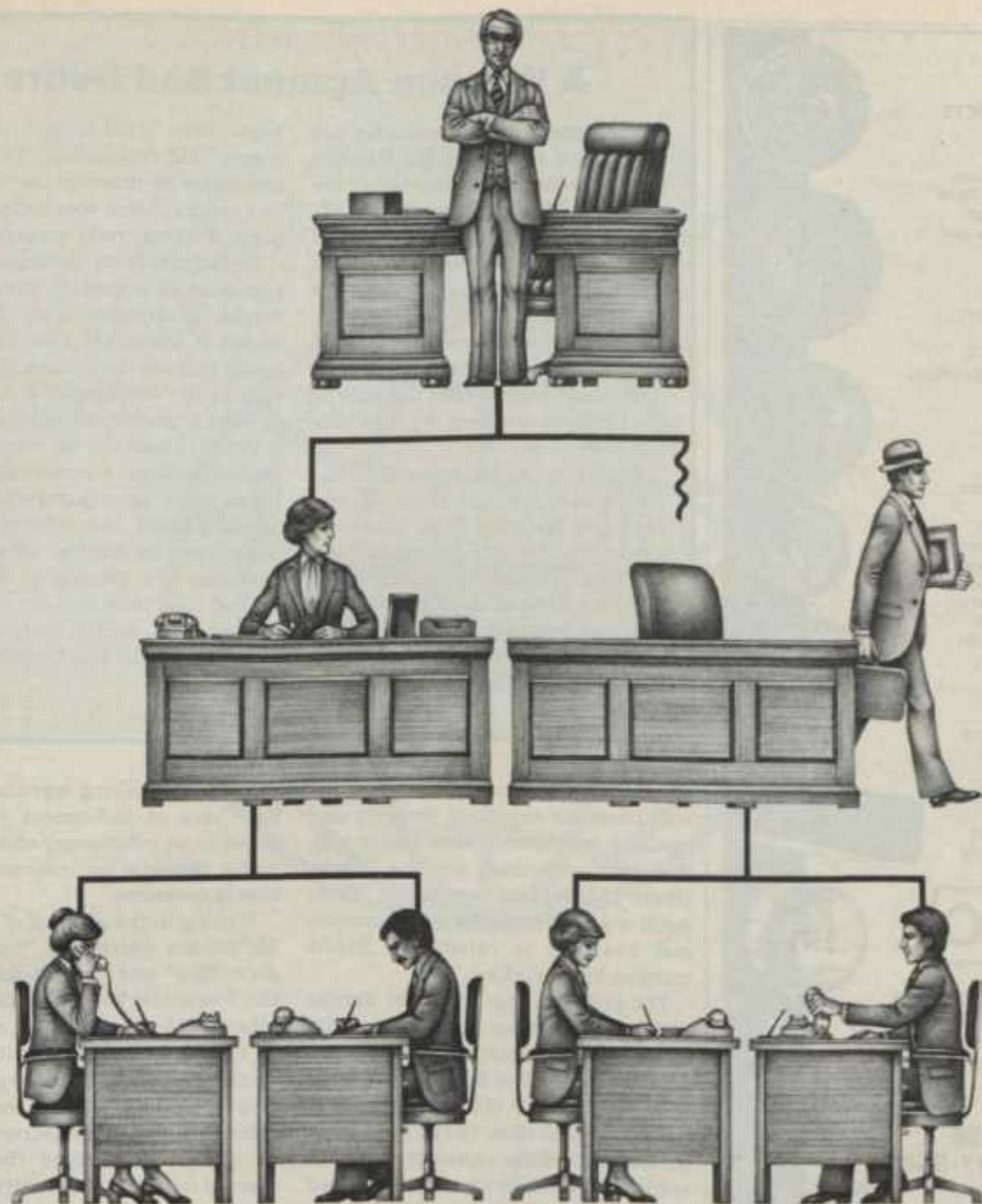
Underwriters pulled in their horns, sharply curtailed new business and took a hard look at the pricing of their renewal business, pursuing that strategy through 1976.

That helped curb underwriting losses somewhat, and investment gains began to contribute to a much-improved financial picture. But underwriters were still shaky from the perilous mid-'70s. They eased cautiously into 1977 and continued that conservative bent despite early reports of record earnings.

THANKS to huge investment gains, 1978 and 1979 were years of record profits. Competition was brisk, even intense, for the better property insurance business. Still, some effort was made to tame the cycle, and that—for a while, anyway—held back the fiercely competitive conditions everybody expected.

Many observers feel that those conditions have now arrived for commer-





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## A Weapon Against Bad Debts

While some firms may consider bad debt losses an assumable business risk, economic conditions today are changing this posture. Robert E. Parmelee, senior vice president of Baltimore-based American Credit Indemnity, notes that demand for credit insurance has risen substantially. "Our sales are up about 13 percent from last year," he says. American Credit writes the bulk of the business, covering about \$27 billion of insured sales.

Parmelee adds, however, that claims also are up—about 25 percent over last year. Both American Credit and London Guarantee and Accident Company—the only other firm that writes domestic credit coverage—are taking a long, hard look at new risks these days. As Parmelee says, "We like companies that

have very good credit departments." He emphasizes that credit insurance is intended as "backup and support" and does not take the place of sound credit management.

Collection from delinquent accounts is an important function of credit insurance. This feature makes it somewhat akin to surety bonds because the underwriter may step in to "encourage" a customer to meet financial obligations.

Credit insurance is intended to protect against commercial credit losses. Only manufacturers, wholesalers, jobbers and certain service businesses (primarily advertising agencies) are considered for this type of insurance. It is not designed for retailers, and it only insures against risks in the United States and Canada.

cial lines of insurance. "These are not easy times for anyone in property and casualty insurance," says Barbara D. Stewart, economist for the Chubb Group of insurance companies. "Competitive price cutting for most commercial business is relentless. Profit margins are shrinking."

The price cutting continues despite underwriting losses. Such losses for property and casualty companies during the first half of 1980 are reported to be close to \$1.5 billion, nearly \$500 million greater than in the same period last year. That certainly seems to track with the historical pattern, and this downturn in the so-called underwriting cycle would normally signal a tight market on the immediate horizon. What could throw everything out of line—and extend and deepen the cycle—is that investment gains continue to shape the industry's financial picture. Last year, net investment gain before taxes was about \$9 billion. The first-half figure for this year—more than \$5 billion—suggests that investment income will make 1980 another profitable year.

Because the promise of investment gains is stimulating the struggle for premium dollars, some industry leaders are fearful that the cycle will moderate too late to avoid another disaster like the one of the mid-'70s. Daniel J. McNamara, president of the Insurance Services Office, the industry's statisti-

cal and rate-making organization, sees the "lure of investment yields produced in an inflationary economy" as a major obstacle for insurance companies to overcome.

Writing in the *Journal of Insurance*, McNamara warns that "judicious underwriting" and "responsible competition" are the courses that must be taken to meet the impact of inflation on the property and casualty business in the 1980s. "The one-two combination of inflation and recession has come back to haunt insurers in 1980," he says. "It is hoped that lessons learned from the underwriting debacle of the mid-'70s have not been forgotten. But there are disturbing signs of amnesia."

**N**OT EVERYONE agrees that such calls for responsible competition will be heeded. Chubb's Stewart feels that the economics of the business should not be ignored. Only when supply shrinks relative to demand can prices rise and profit margins expand once again, she says. That won't happen, and the underwriting cycle won't end "until expectations change," she adds. "Changing the profit expectations of a lot of competitors is never a quick or easy matter."

Just because 1975 plus six equals 1981 does not mean that next year will bring an end to the current underwriting cycle, Stewart says. She points out



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that the six-year cycle "is largely the reflection of a six-year automobile underwriting cycle." Overall results are heavily affected by automobile insurance, which accounts for 40 percent of premiums. "But automobile cycles are unique," Stewart says. "They are not an appropriate model for what is going on in commercial lines today."

One thing is for sure: Predicting the patterns of the property and casualty insurance market is not as easy as it was a few years ago. Too many factors—both internal and external—are making such forecasting increasingly complex. Economic and social developments, as well as structural changes within the insurance industry, nurtured in the '70s, are on a collision course with the next cycle. There are too many unknowns, making it impossible to predict with any confidence the direction the market will take.

**I**NFLATION is a monumental problem for insurance companies. While they face the same fears and concerns that haunt the rest of American business, insurers have the special problem of pricing a product which is paid for before they know its ultimate cost. That may give them a decided advantage on investment earnings, but it certainly doesn't help them bridge the inflation gap between the value of the premium dollars they take in and the loss dollars they pay out. To make matters worse, they must anticipate future costs—for medical care, automobile parts, labor and other items that are outstripping the overall inflation rate.

Another type of inflation—"social inflation"—makes it almost impossible to establish premiums that adequately reflect the future cost of settling liability claims and satisfying court judg-

ments. The philosophy of "entitlement" permeating American society will, no doubt, continue to inflate jury awards and broaden judicial concepts of what constitutes negligence and who should pay for it. Some promising changes have been taking place—a number of states have passed legislation to ease the crisis in product liability litigation. Still, truly effective solutions to the problem are a long way off.

Pressure from state regulatory authorities, keeping some insurance rates down, also makes it difficult for insurers to cope with inflation. In spite of some relief recently, lines most affected by rate regulation—personal automobile and workers' compensation insurance—will probably continue to be unprofitable and largely responsible for overall underwriting losses.

These sores have been festering for several years, and undoubtedly they will plague insurers for years to come. It is uncertain whether the usual medication—the constriction of competition—will be prescribed this time. The cyclical nature of the business tells us that such constriction is in the cards. Industry leaders are warning that di-

saster is in the wings if this course is not followed. But there is reason to believe that the competitive climate may not fade away easily.

What is causing this new competitive picture is the total dollar capacity of the property and casualty market. The supply of insurance is abundant, and its sellers are scrambling for their market shares.

The tremendous increase in supply has come from a variety of sources, some old and some new. One relatively new source of the influx of fresh capital is life insurance companies. For example, Prudential's subsidiary, Prudential Property and Casualty Company, formed about eight years ago, today writes more than \$500 million in personal automobile and homeowners insurance premiums.

Smaller companies, too, such as Chattanooga-based Provident Life and Accident Company, are getting involved. Ralph Paden, vice president of the company's property and casualty subsidiary, Provident General, reports the subsidiary has underwritten a "true group" automobile insurance plan in Florida under which "the rates are the same per car, regardless of the type of vehicle."

Other companies, like State Farm and Allstate, which market their products directly to the consumer, continue to increase their share of the market for personal lines of insurance. Ten years ago, for example, direct writers had less than a 25 percent share of the homeowners insurance market. Today they write more than 40 percent of that business. The homeowners market share of the national agency companies, which sell insurance through independent agents, has dwindled from more than half 10 years ago to



Buyers can shop around, taking advantage of the scramble to sell insurance, but that may not prove the wisest policy.



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less than one third. Smaller, regional companies write the remaining share.

What is really disconcerting for the agency companies, though, is the penetration of direct writers of personal lines into the commercial lines market. National agency companies still dominate—they have more than 75 percent of commercial multiperil property insurance, for example. But the direct writing companies have almost doubled their share—to 10 percent—in a decade. Companies such as Allstate and State Farm, which have traditionally concentrated on personal lines, have increased total commercial lines premium writings from about \$300 million to more than \$1 billion in the last 10 years.

**E**VEN THE insurance buyer is becoming a competitive factor. When the market was so tight in the mid-'70s, many businesses explored alternative methods of funding programs to protect against the risk of loss. Some larger companies, for example, established formal self-insurance programs to handle their workers' compensation obligations. Others were attracted by the tax advantages of forming their own captive insurance companies. Even smaller businesses were able to participate in captives established by industry associations.

About 1,200 captive companies are in operation today. Some provide insurance not only for the organizations which established them, but also for other businesses—something which may well become more and more prevalent. In 1978, the Internal Revenue Service ruled that the Carnation Company's premium payments to its captive were not tax-deductible because the captive did not write insurance for other businesses.

The growth of self-insurance programs could also be stimulated if proposed legislation is passed by Congress. The Risk Retention Act would preempt state licensing and other requirements, enabling businesses to form "risk pools" for funding protection against their product liability exposures.

All of these funding mechanisms threaten to remove more and more premium dollars from the market. This diminishing demand, coupled with an increasing supply from new sources, is unlike any other situation property and casualty insurers have had to deal with before. James J. Meenaghan, executive vice president of the Fireman's Fund Insurance Com-

panies, says that the economic structure of the property and casualty insurance business has undergone massive changes which will result in deadly competition in the '80s. "The amount of capital that has become available recently to do the business of insurance is staggering, and the implications over the next 10 years are mind-boggling," he says.

With capital flowing into the market and investment income surging, there

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seems to be no end to the scramble for the premium dollar. Is this a bonanza for the insurance buyer? Is it wise to take advantage of the soft market now—just to get the best price before the economy turns and insurers begin retrenching?

While short-term gains may result, somewhere down the road such tactics could come back to haunt the buyer. Certainly, this is no time to rush out to buy a new insurance program only to avoid the price increases that a potential underwriting crunch may bring. Prices will increase for that new pro-

gram, too. And the reputation of being a "shopper" is a stigma no business needs in any insurance market. That label can buzz through the underwriting community with incredible speed. When times get tough, underwriters tend to favor long-time insureds.

It doesn't hurt to test the market occasionally to see whether current insurance costs are in line with the competition. Obviously, the best time to do that is when the market is soft. But long-term gains should be evaluated in terms of coverage and service as well as of cost.

If the market tightens, underwriters will be more inclined to boost prices than to cut back on coverage. That's one reason why buyers should be putting the emphasis on improved protection today. Commercial property insurance is one of the few lines that has consistently produced underwriting profits over the past several years. It's easy to see why competition for this business is so exuberant.

**U**NDERWRITERS are willing to bend over backward for good risks. So, it pays for the buyer to take the insurer's loss control and engineering recommendations seriously.

Making a risk attractive to an underwriter gives the buyer more leverage to broaden the scope of perils covered. More and more insurers are developing innovative package policies, for example, that allow considerable flexibility to design broad protection against property losses.

A firm that can offer underwriters a good risk in the competitive property insurance market has another advantage. It has leverage to market other coverages that may not be as desirable to the insurer—workers' compensation and certain liability lines, such as product liability, for example.

No one knows what the next couple of years will bring in this rapidly changing industry. It is certain, however, that the competitive climate is creating benefits for insurance buyers, large and small. Storm clouds may well be gathering, but they shouldn't inhibit buyers from seeking improvements in their insurance programs. There aren't likely to be any rain-checks to use if and when the storm comes. □

ROGER M. PEIRCE is managing editor of the John Liner Letter, a monthly business insurance report published by John Liner Insurance and Risk Management Advisers, Inc., Wellesley, Mass.



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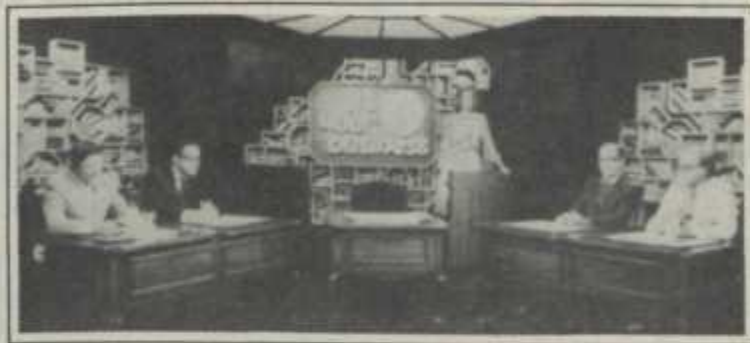
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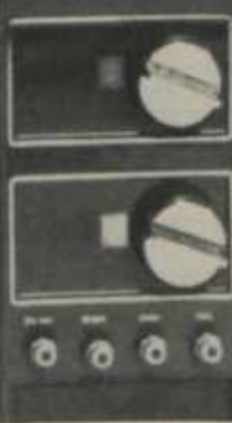


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## Put the Brakes on Auto Inspections?

**C**LOSE INSPECTION of auto safety inspection programs reveals that hasty conclusions about their value may be unsafe.

No one denies that periodic mandatory inspections turn up defects in safety-related equipment. Sometimes the inspectors even find defects that aren't there. The question, however, is whether these efforts have a significant impact on the accident rate.

The National Highway Traffic Safety Administration favors inspection programs on grounds that safety-related defects cause accidents and that such defects are more likely to exist in uninspected motor vehicles than in those which are regularly inspected. The Environmental Protection Agency also wants regular inspections, so the performance of pollution control equipment can be checked. Opinion

polls cited by the government show high levels of public support for mandatory inspection.

Currently, 25 states require periodic safety inspections. Inspection laws have been repealed recently in five states: Idaho, Kentucky, New Mexico, South Dakota and Wyoming. In 1978, Virginia extended from six months to 12 months the interval for first reinspection of new cars.

Critics of mandatory periodic inspection say that only a small percentage of accidents is caused by mechanical failure—a point the government does not dispute—and that in one test, even the best inspectors found little more than half of the defects that were present.

A 1977 study by the General Accounting Office concluded that a case had not been proven for or against the

effectiveness of inspection programs. More recently, W. Mark Crain, associate professor of economics at Virginia Polytechnic Institute, found that "states which employ mandatory periodic inspection programs do not have lower accident rates than those ... without such requirements." Despite the lack of effectiveness of these programs, he says, they impose extra costs on vehicle owners amounting to billions of dollars per year. Crain says that random inspection programs are "at least as effective as periodic inspection ... and perhaps even more effective," and they cost less.

The National Highway Traffic Safety Administration disagrees with Crain's conclusions and criticizes his methodology.

Should all states require periodic auto inspections? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Editor  
Nation's Business  
1615 H Street, N.W.  
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Should all states require periodic auto inspections?

☐ Yes ☐ No

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## Dolls Made From A Different Mold

With another Christmas season approaching, there is a Santa's workshop atmosphere at Marjorie Spangler Dolls, Inc., as Marjorie, her husband Jerry, her mother, her sister and the rest of her staff of 30 work frantically to fill orders for F.A.O. Schwarz, Bloomingdale's, Neiman Marcus, Broadway Stores, May Company and many others. The Concord, Calif., firm expects \$750,000 in sales by the end of the year.

These aren't ordinary dolls. They are exquisite collector items in porcelain or vinyl, hand-painted and carefully costumed. All-porcelain dolls or porcelain dolls with cloth bodies sell for \$120 to \$140, and vinyl dolls are \$36 to \$50. "We have bride dolls, debutantes, toddlers and babies in christening

dressess—all sorts of dolls," says Mrs. Spangler, who is president of the company.

She says she always loved dolls and as a child designed paper ones. "When my children were small, I made dolls for them and told myself I was doing it for them," she says. "But later I realized I was really doing it for myself."

One day she saw a mold for making dolls and thought she would try her hand at it. The product was fine, but simply using someone else's mold did not appeal to her. "So I decided to make my own," she says.

That turned out to be no easy job. "The materials I was using messed up the kitchen and plugged up the plumbing," she says.

Her husband, who was interested in doll collecting, showed a doll from her mold to a collector's club, and word began to get around.

"I got a few orders from friends and people in doll clubs," she says.

"Then, one day, a salesman from Macy's ordered 80 or 90 for the 1976 Christmas season. We spent three days and nights without sleep to get that order out." At that time, all the work was done in the family garage in Concord by the Spanglers, with the help of Marjorie's mother and sister. "We've spent an occasional sleepless night to fill an order since then," she says, "but after you have gone without sleep for three days, you feel you can always do it for just one or two."

When business began to expand, Jerry took over the job of managing the company. Not only does he manage, but his pride in his wife's work makes him the firm's best salesman.

The company's slogan is: "Dedicated to the rebirth of fine doll artistry." That dedication has paid off. Sales in 1976 were \$16,000. Last year, they were \$240,000.

"Our company is the most prolific producer of collector dolls at this time," says Jerry.

The line of dolls is changed from year to year. One year, the boy toddler was dropped from the line. "I didn't like cutting the hair," says Marjorie. "But we got so many letters asking for the toddlers, that we had to start making them again."

Next year's line, already in the works, will probably include an Oriental toddler, among other additions, but avid collectors will have to wait awhile for the new models to come out.

## How UNO Became A Hot Numero

Good fortune has certainly been in the cards for 32-year-old Bob Tezak, head of a company that manufactures one of the country's top-selling games, UNO. "It's the strongest card game going, no doubt about it," says a toy store manager.

Tezak, who is involved in several other businesses and who also is the county coroner for Will County, Ill., near Chicago, discovered the game in 1971 while visiting in Louisville, Ky. "I could see by the faces of the people playing it that the game was a winner," he says.

At the time, UNO was being distributed by its inventor as he traveled around the country, and the only advertising was word of mouth. Tezak bought the game and in 1972 set up International Games, Inc., to manufacture it. The company operated from a 5-by-10-foot office in Will County with one employee, Tezak says, adding: "We now have a new office with 15 employees and are planning to build a corporate headquarters." Production takes place in Racine, Wis., and Hong Kong as well as the Chicago area.

"The first year, we sold about 5,000 games," Tezak says. Fourth-year sales were nearly 100,000. This year, Tezak expects to sell more than 10 million.

And UNO is no longer Tezak's only game. His company produces three others—all card games—called



Jerry and Marjorie Spangler with a few of their porcelain and vinyl dolls.





Bob Tezak, whose UNO card game is tops on the winner's list, now offers others.

O'NO99, SKIP-BO and Grabitz. "O'NO99 has been selling way beyond our expectations—about triple what we expected," he says.

In the course of developing these games, Tezak's research and development department distributed games to a number of families and asked for comments. The games were then revised to incorporate some of the suggestions. Later, the families were given the revised games and again asked for their suggestions. "We keep trying until we get it right," says Tezak.

As for how UNO got to be so popular, Tezak says: "You can play with two to 10 players, which is not true of many games. And it's simple to understand and easy to learn. Both kids and adults enjoy it, and when they play it, it puts them on a par. But most important, it's just a lot of fun."

Simplicity and fun are the qualities he looks for in any game his company produces, and the formula seems to work. So Tezak keeps checking out new games. "Once you have a winner, new ideas for games come in from people all over the country," he says.

## A Way To Say What Needs To Be Said

Ann and Charles Faraone have no trouble communicating with each other or the rest of the world and are now making it their business to help those who do. The slogan of their company,

Once Upon a Planet, Inc., in Fresh Meadows, N.Y., is: "We're not here forever, so let's communicate while we can."

Their company, which originated message-bearing business-sized cards, was started four years ago with a \$2,000 investment and has since grossed almost \$2 million. "All this," says Charles, "from little cards that help people say things they want to say, but don't know how."

Most of the messages, which are written by the Faraones, express such sentiments as, "Keep in touch," or contain check-off boxes to say what is liked or disliked about someone. Some are real zingers such as, "The tip would be bigger if the service was better," and a notice of inconsideration designed to be placed on improperly parked cars.

When the Faraones, who both are 33 years old, started the company, it was with an original line of unorthodox greeting cards, since discontinued. Their first sale was to Gimbel's East for \$36. Unfortunately, it was the last for the year. The cards were sophisticated and did not appeal to a broad enough market, so orders were few and far between—that is, until the Faraones began marketing cards that were business-sized. By May, 1978, orders began to pour in.

The idea for the cards came when the Faraones, both former school-teachers, were required to take part in an encounter weekend as part of

an educational program. "People came to me later and told me how well I could communicate," says Charles. And he could see how much trouble many others had trying to say things that needed saying.

"A lot of people are too afraid of rejection, and many others seem to let the things that should be said get stuck in their throats," he says.

Although communicating is easy for him, Charles says that "trying to think like a business person after being a wage earner for so long was, and still is, extremely difficult. As a wage earner, I was used to seeing money in terms of dollars per hour. As a business person, I've had to learn to think in terms of investments and returns."

Things also have changed greatly for Ann. As the company grew, she began traveling across the country to work with major sales representatives at trade shows and exhibits. Now the mother of a year-old son, she's in the process of balancing her different roles.

"You just have to decide how you're going to allocate your time," she says. "I am constantly revising my schedule to fit the needs of my son, my business and myself. The key is flexibility."

Looking back, Charles says: "We learned as we went along. We had to learn everything from scratch. We must have been insane." □



Ann and Charles Faraone with a selection of their business-sized message cards.



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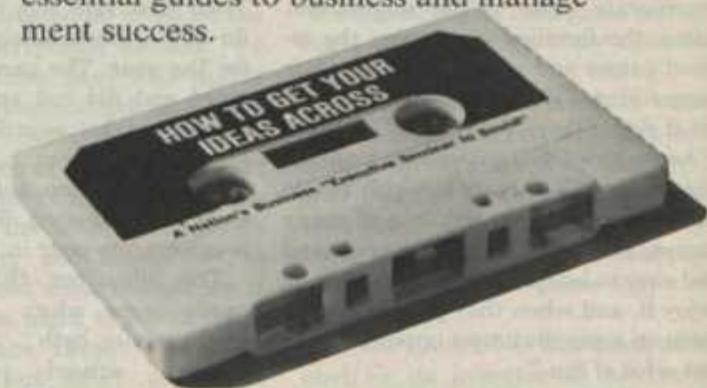
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## One Nation, One Language for All

**U**NITED we stand, divided we fall. That sums up the majority sentiment in response to the October Sound Off to the Editor question: Is there too much emphasis on bilingualism? By a margin of 20 to 1, NATION's BUSINESS readers say yes.

"Our society has enough divisive forces at work already; language differentiation should not be another," says Don Lundgren, director of corporate personnel development at the Scott Paper Company, Philadelphia.

William L. Matthaei, executive vice president for marketing at the Roman Meal Company, Tacoma, Wash., agrees: "We should encourage all

and adapt much more quickly. They should, by all means, be provided 'English as a second language' classes."

Many of those who criticize bilingualism in public schools believe that it is too costly and is just another example of the federal government overstepping its bounds.

"Public money should be spent on education which is taught in a universal language—English," says Heinrich A. den Boer, second vice president and associate actuary at the Pilot Life Insurance Company, Greensboro, N.C. "If certain segments wish to continue their own language, let them do so on their own time and money—but not on mine."

Furthermore, Robert J. Belner, president of the Lamcote division at the Arvey Corporation, Chicago, says: "Emphasis should be placed on teaching English and not on proliferating the languages of immigrants. This is just another example of government imposing its costly will on the taxpayer."

A proponent of bilingual education thinks differently. "Our money is well invested in a program that helps our immigrants become Americans," says Paul J. Kuhn, comptroller for the Centaur-Texas Company, Austin, Tex. "The emphasis is simply misdirected. Our goal should not be to perpetuate other languages and cultures, but to help the immigrant learn our language and understand our culture."

Estella Morris, an educator for Babel, Inc., Oakland, Calif., argues: "We have a moral obligation to give each child the opportunity to learn and grow intellectually in his own native language while he learns English. The advantages of fostering language growth in children will prepare them to better understand and communicate with others as world citizens."

Many opponents of bilingualism believe that it encourages immigrants to remain outside the mainstream of America. James R. McGhee, an administrator at the Alexander School, Miami, Fla., says that "a child or an adult must be taught to be able to communicate on a basic level in the English language. After that he has the tools to

progress. To do otherwise is to doom him to a prison of language created by the very do-gooders who thought they were helping him."

Thomas J. Capoot, manager of publications for U-Haul International, Inc., Phoenix, Ariz., says: "English is the language of commerce, industry and society in the U. S. Lack of fluency in it is one of the greatest impediments to full socioeconomic assimilation. As a former teacher, I feel bilingual instruction delays or even prevents learning English."

Some opponents of bilingualism are immigrants themselves or are from immigrant families. William B. Fooks, a sales manager at Yorktown Associates, Inc., Warwick, R.I., says: "My mother is from Switzerland and had to learn English. She really made us toe the mark in that subject. What's wrong with being a proud American and instilling the discipline necessary to carry this out?"

Another point is made by M. R. Johnson, a plant manager for TIE/Manufacturing, Inc., Shelton, Conn. "We should not have notices and laws that must be written in a language other than English," he says. "All citizens and other people who are taking advantage of the opportunities that exist in the best country in the world

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**“Our society has enough divisive forces already; language differentiation should not be another.”**

---

Americans—children and adults—to learn English to the best of their abilities. My company wants employees with a good grasp of English. A common language is one of our country's greatest assets. Bilingualism that diminishes the drive for a common language is counterproductive."

However, Marcia Nita Doron, executive vice president of the LinguaTel Corporation, Bethesda, Md., supports the federal bilingual education program that is at the heart of the issue. "Bilingualism is a marketable skill which should be encouraged and developed," she says. "Intensive English-language training should be offered to foreign students entering our school system, along with supplementary, transitional instruction in their own language."

Helen M. Dunham, general manager for Search Consultants, Atlanta, argues on the other hand that such children "will benefit much more in the long run by having to use English in their regular classes. They will learn

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**“Our money is well invested in a program that helps our immigrants become Americans.”**

---

should learn to speak and comprehend the language of the U.S.A."

And Robert D. Brueckner, a manager of information systems for Dorsey Trailers, Inc., Elba, Ala., says: "If I ever move above the Mason-Dixon line, maybe I should demand that my children be taught a class in 'how to speak Southern' so they won't lose part of their cultural heritage." □

—Adrienne Blum



# Having a Ball On the Dance Floor

By John Castello



PHOTO: NEWS WORLD COMMUNICATIONS, INC./FBI

**R**EMEMBER ballroom dancing? Well, it's still alive and kicking, although not in some of its old, cherished haunts, such as the big city halls where thousands waltzed, fox-trotted or swung to the music of the big bands.

That was a never-never land, where couples clung together, wishing the music would go on and on, dreading the final sweep-out strains of "Goodnight Sweetheart."

Today it's memory lane, except perhaps at Roseland in New York City. Roseland's giant floor, legal capacity 3,450, is still open for dancing only, five days a week, as it has been since 1919.

Richard S. Mason, who lives in a suburb of Washington, wasn't a dancer then, though he has been one for more than 24 years.

"My wife and I go dancing two or three times a week," says Mason, president of the U.S. Amateur Ballroom Dancers Association.

"Most of the dance studios around Washington hold dances one or two nights a week that are open to the public. You don't have to be a student at the studio. So for \$3.50 to \$4, you can have an evening of dancing almost any night."

He started taking lessons in 1956. He might have started sooner—except for an excess of tact on his wife's part.

"My wife, Sheila, and I were talking over some of the sticky points of our marriage," he explains. "One of them, it turned out, was my poor performance on the ballroom floor. So I went to Arthur Murray's and started taking lessons."

Was this when they were newlyweds?

"Oh, no," he says with a laugh. "We'd been married about 10 years. My wife told me later that even when we were courting, she thought I wasn't much of a dancer. But she didn't want to risk hurting my feelings by saying so."

Their hobby led to their business. The Masons own Telemark Dance Records, a McLean, Va., firm that manufactures, imports and distributes records for ballroom dancing. Dick Mason retired early from the Central Intelligence Agency to run the firm full time.

He thinks dancing is a great hobby for business people.

"It's very social," he says.

"You meet a lot of people at dances. And once you have mastered the steps, the dancing becomes a





There are the fox-trot, the tango, the rumba, the samba, the paso doble...



...and the cha-cha. And, of course, the waltz, which started it all. This scene is in Vienna, the waltz's home.

great pleasure. I have a feeling that it's very healthful. You see a lot of people in their 80s who are still dancing. It helps keep them supple and interested in people and in life."

Plato, apparently, would agree.

"The dance," he said, "is godlike in itself.

"It is a gift from heaven."

**N**OT EVERYONE has felt that way. Ballroom dancing, as we know it, started with the introduction of the waltz, say the authors of *The Complete Book of Ballroom Dancing*.

In 1816, the waltz appeared on the program of a London ball given by the Prince Regent. Not even its blue-blooded sponsorship saved it from scathing criticism. An editorial in the *London Times* came down hard:

"We remarked with pain that the indecent foreign dance called the Waltz was introduced (we believe for the first time) at the English court on Friday last... It is quite sufficient to cast one's eyes on the voluptuous intertwining of the limbs and close compressure of the bodies in their dance to see that it is indeed far removed from the modest reserve which has hitherto been considered distinctive of English fe-



males. So long as this obscene display was confined to prostitutes and adult-eresses, we did not think it deserving of notice; but now that it is attempted to be forced on the respectable classes of society by the evil examples of their superiors, we feel it a duty to warn every parent against exposing his daughter to so fatal a contagion."

Today the waltz, along with the fox-trot and tango, are staples of ballroom dancing. All are part of the syllabus of the U.S. Ballroom Branch of the Imperial Society of Teachers of Dancing, Inc. So are these Latin dances: rumba, samba, paso doble and cha-cha.

How many Americans head for the ballroom dance floor for recreation instead of the surf, ski slopes, golf courses or what have you?

"More than two million," says John Monte, national dance director of the Fred Astaire National Dance Association. "And that estimate of the National Council of Dance Teacher Organizations may be low. It's five years old."

Do they spend much on their hobby?

They don't have to. Ballroom dancing is not expensive. Roseland's admission, for example, is \$5 to \$8—depending on the day and time—for many hours of ballroom dancing. Admission Wednesday is \$12, but that includes a buffet.

What about lessons?

Last year, Fred Astaire Dance Studios, 181 individual franchisees, signed up 209,000 new students in the United States. Each took a minimum of five lessons at an average price of \$10 per lesson.

How many schools and private teachers give lessons in ballroom dancing? About 2,000, Monte estimates.

**A**NY YOUNG people showing interest? "Yes," says Geoffrey Fells, chairman of the East Coast Committee of the U.S. Ballroom Branch of the Imperial Society of Teachers of Dancing.

"The disco boom is dying. Some of the young people switched to Latin dances and then to other forms of ballroom dancing when they saw them taught in studios."

Not every kid liked to do what Jo Miller did when she was growing up in Toledo, Ohio.

"I just loved to dance," she says. "I took lessons when I was in grammar school, although it wasn't the usual hobby of children my age then. I had to take private lessons after school, on

my own time—an hour of tap, an hour of adagio and an hour of baton. My teacher was Marilyn Krall. She was the sister-in-law of Teresa Brewer, the singer, and was well known in the theatrical field at the time."

Were the lessons thrust on Miller by her mother?

"Oh, no," she says, "I begged her to let me go. When I got out of high school in 1953, I got a job as an instructor in a dance studio in Toledo."

Now, after marriage and four children, and while pursuing a career in electronics, she still enjoys ballroom dancing.

She finds time for it at least once a week.

"I like smooth dances—waltz, fox-trot, tango and rumba," she says. "But I like rhythm dances as well—swing, samba, cha-cha, mambo, merengue and hustle."

What she gets out of them is: "Much pleasure."

**H**OBBYISTS SAY anyone who can walk can learn to dance. Normand A. Martin says he has proved it. "I took up ballroom dancing as therapy," he says. "Shortly after I got out of service when World War II ended, I injured my leg tumbling. I did a double flip and landed wrong."

"The doctor said to take up bike-riding or dancing for my bum leg." Faced with the choice of holding handlebars or a dancing partner, he chose the latter.

Ballroom dancing was good for him, and he was good for ballroom dancing. He became U.S. amateur champion in 1960 and held the title until 1964. The next year, he founded the U.S. Amateur Ballroom Dancers Association.

Martin, who is vice president for sales and marketing at Whitney Screw Corporation, Nashua, N.H., also taught ballroom dancing at his own studio, until he sold it a few months ago.

That's where he proved that you, too, can dance—even if you have two left feet.

"I had a pupil, a policeman, who wanted to go to the policemen's ball. He had never danced before. He couldn't do anything. I had six weeks to get him ready."

"First, I taught him the difference between a waltz and a fox-trot—a waltz is three-quarters time; a fox-trot is two quarters, but actually four beats to the bar. Then I taught him some

very simple step patterns. You don't want a pupil to memorize so much that he doesn't enjoy what he's doing."

"The night of the ball, the policeman and his wife invited me to go with them. After the band played a few numbers, I said: 'Charley, do you want to take a turn?' He said: 'Why don't you dance with my wife first?' So I took a couple of turns around the floor. Then I went to the table and said: 'Charley, now it's your turn.'

"So he took the plunge, got up and danced. Some of his friends saw him and said: 'Charley, you're dancing. You look great.' He was so proud, his chest stuck out a mile."

Was his teacher proud, too? "You're darned right I was," Martin says.

Betty M. Beall's cruise to Alaska was a scenic success—but she takes little pride in what happened on the dance floor.

"I made a lot of friends," she says. "But every time I was dancing and the orchestra started to play a rumba or cha-cha, I'd have to sit down. I could waltz or fox-trot, but I didn't know the Latin dances."

When she got back to Los Angeles, Beall, who is vice president of International Business Management, Inc., a firm that manages the financial affairs of entertainers, began increasing her fund of dancing knowledge. She took lessons. "That was four years ago," she says, "and I've been taking lessons ever since. Four nights a week and most Sundays."

**S**HE LAUGHS: "I'll probably be taking lessons for the rest of my life. I graduated from American-style social dancing quickly. Now I'm into the international style."

Not only is ballroom dancing pleasurable and good exercise, she says, but in her case it led to the altar.

"I went to a ballroom in San Fernando Valley with a girl friend of mine," she says. "This gentleman asked me if I would like to dance, and I said 'Yes.' So we got on the dance floor and after a couple of waltzes and fox-trots, the orchestra started to play rumba music."

"And I thought: 'Oh, boy.' Because most men can't rumba. But then my partner started to rumba, and I thought: 'Oh, goody, I got me a man who can dance!'"

She and her dancing partner were married a few months ago. Would she have wed a man who didn't dance?

"No way," she says. "If I were single, I wouldn't even go out with one." □



## After the Morning After

**F**ROM Maine to California, the dawn of November 5 found business leaders in a state of euphoria, reflecting on the prospects for long-needed federal legislation. Those prospects are brighter because of the avalanche that swept in a conservative, more business-oriented administration, with an unmistakable mandate from the people, and a Republican Senate.

There are, of course, still a few bumps in the road. The House remains under Democratic control—although not all Democrats are liberals and antibusiness, as events have proven. At any rate, the House will be a more conservative body than it was in the 96th Congress.

And if a probusiness President could have only one house of Congress controlled by his party, the Senate is probably the house he would choose. The Senate has exclusive power to review presidential appointments and treaties, and it is through appointments to the Supreme Court and federal agencies—specifically those that regulate—that a President exercises some of his most telling influence.

The Democrats are still capable of blocking Republican initiatives—by simple majority in the House and filibuster in the Senate. But in the past, most of the trouble for business and the economy has come not so much from an inability to pass business initiatives as from the excess spending and punitive regulations initiated by the liberals. However, in the 97th Congress, legislation will not become law without the approval of conservatives. While that fact is no guarantee that business will get all it wants, the climate unquestionably has improved.

The great danger now is early disillusionment of the voters because of unrealistic expectations. It took many years to mess up the nation's economy; it will take more than one year to straighten it out again. President Reagan will inherit an economy struggling feebly to rise from the pit of a recession, with inflation threatening to increase. To combat both of those problems simultaneously, three steps must be taken: Cut taxes in a way that stimulates saving and investment, slash federal spending and keep the brakes on the money supply. The three form an inseparable package.

Cutting taxes is popular, but potentially inflationary without the other two steps. Trimming spending will be difficult and unpopular, as Prime Minister Margaret Thatcher is learning in Great Britain. Slowing the growth of the money supply is up to the Federal Reserve Board, which seems willing, if it can figure out how.

Optimistic economists believe that these actions, taken in concert, would produce some signs of improvement within a year and unmistakable signs of improvement in time for the next national election. If they are correct, the new President would be well advised to make his budget cuts quickly and suffer the inevitable outcry from the numerous recipients of federal largess, so he can bask in the glow of real economic progress later.

In the meantime, business people and their organizations—who can legitimately claim much of the credit for turning the country around politically—will have to remain active to ensure that the gains are consolidated. □





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